

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
No.: 500-11-040900-116

SUPERIOR COURT
(Commercial Division)
The Companies' Creditors Arrangement Act

**IN THE MATTER OF THE PLAN OF ARRANGEMENT
WITH RESPECT TO:**

KITCO METALS INC., a legal person duly incorporated under the laws of Canada, having its principal place of business at 620 Cathcart, 9th Floor, suite 900, Montreal, Quebec, H3B 1M1

Petitioner

-and-

RSM RICHTER INC., a duly incorporated legal person having its principal place of business at 1981 McGill College, 12th Floor, in the city and district of Montreal, Quebec, H3A 0G6

Monitor

**ELEVENTH REPORT OF THE MONITOR
ON THE STATE OF PETITIONER'S FINANCIAL AFFAIRS
October 12, 2012**

INTRODUCTION

1. On June 8, 2011, Kitco Metals Inc. (the "Petitioner" or "Kitco") filed a Notice of Intention to Make a Proposal and RSM Richter Inc. ("Richter") was named Trustee. Pursuant to a motion filed by Kitco and the resulting Order issued on June 10, 2011 ("Order") by the Honourable Martin Castonguay, J.S.C., Richter was further appointed Interim Receiver to Kitco.
2. On July 5, 2011, Kitco filed with the Quebec Superior Court, a Motion for the Issuance of an Initial Order pursuant to Section 11 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the

“CCAA”). On July 6, 2011, the Honourable Mark Schrager, J.S.C. issued an initial order (the “Initial Order”), which *inter alia* appointed Richter as Monitor (the “Monitor”) with duties including duties similar to those that were originally provided for in the Interim Receiver Order.

3. On July 26, 2011, the Petitioner filed a motion requesting an extension to the stay of proceedings until February 29, 2012, in order to allow the Petitioner additional time to litigate and/or negotiate with Agence du Revenu du Québec (“ARQ”) regarding its dispute. The Monitor filed its First Report on July 25, 2011 in support of the motion for an extension. On July 27, 2011, the Court granted an order extending the stay of proceedings until October 18, 2011.
4. On September 1, 2011, the Monitor filed its Second Report providing an update to the Court and creditors with respect to the operations of the Petitioner and the activities of the Monitor.
5. On October 3, 2011, the Monitor filed its Third Report providing an update to the Court and creditors with respect to the operations of the Petitioner and the activities of the Monitor.
6. On October 14, 2011, the Petitioner filed a motion requesting an extension to the stay of proceedings until April 18, 2012, in order to allow the Petitioner additional time to litigate and/or negotiate with ARQ regarding its dispute. The Monitor filed its Fourth Report on October 14, 2011, in support of the motion for an extension. On October 18, 2011, the Court granted an order extending the stay of proceedings until April 18, 2012.
7. On November 16, 2011, the Monitor filed its Fifth Report providing an update to the Court and creditors with respect to the operations of the Petitioner and the activities of the Monitor.
8. On December 21, 2011, the Monitor filed its Sixth Report providing an update to the Court and creditors with respect to the operations of the Petitioner and the activities of the Monitor.
9. On January 21, 2012, the Monitor filed its Seventh Report providing an update to the Court and creditors with respect to the operations of the Petitioner and the activities of the Monitor.
10. On March 8, 2012, the Monitor filed its Eighth Report providing an update to the Court and creditors with respect to the operations of the Petitioner and the activities of the Monitor.
11. On April 16, 2012, the Petitioner filed a motion requesting an extension to the stay of proceedings until October 17, 2012, in order to allow the Petitioner additional time to litigate and/or negotiate with ARQ regarding its dispute. In addition, the Petitioner requested various modifications to Paragraph 30 of the Initial Order, including that the Monitor only be required to monitor the Petitioner’s cash flow on a monthly (vs. weekly) basis and file a report in Court on a quarterly (vs. monthly) basis to report on various matters, the

whole as more fully set out in the Initial Order. The Monitor filed its Ninth Report on April 16, 2012, in support of the motion for an extension and the modifications to the terms of the Initial Order. On April 18, 2012, the Court granted an order extending the stay of proceedings until October 17, 2012.

12. On April 16, 2012, the Petitioner filed a motion requesting the establishment of a process to solicit creditor's proof of claims with a claims bar date of June 22, 2012 at 5:00 p.m. Montreal time. On April 18, 2012, the Court granted an order approving the process to solicit claims with a claims bar date of July 20, 2012, at 5:00 p.m. Montreal time.
13. On September 7, 2012, the Monitor filed its Tenth Report providing an update to the Court and creditors with respect to the operations of the Petitioner and the activities of the Monitor.
14. All amounts reflected in this report are stated in Canadian currency unless otherwise noted.
15. The purpose of this Eleventh Report of the Monitor is to inform the Court of the following:
 - Financial Position (for the period April 1, 2012 to September 30, 2012 ("Period"));
 - Cash Flow Projections (for the period October 1, 2012 to October 31, 2013);
 - Update Regarding the Real Estate Transactions;
 - Movement in Customer Inventory Pool;
 - Claims Process;
 - Customer Deposits;
 - Transactions Carried out by the Scrap Gold Purchasing Department;
 - Canadian Allocated Storage ("CAS") Program
 - Forward Contracts;
 - Procedural Developments with Respect to the Contestation by the Petitioner of the Notices of Assessment Issued by the ARQ;
 - December 2011 Notice of Assessment from Canada Revenue Agency ("CRA");
 - May 2012 Notice of Assessment from ARQ;
 - Activities of the Monitor;
 - Request for an Extension of the Stay of Proceedings to October 17, 2013.

16. We inform the Court that the Monitor has not conducted an audit or investigation of the information it was provided by the Petitioner and that accordingly, no opinion is expressed regarding the accuracy, reliability or completeness of the information contained within this Report. The information contained herein is based on a review of unaudited financial information provided to the Monitor by the Petitioner's management as well as discussions with the Petitioner's management and employees.

FINANCIAL POSITION

17. In conjunction with the filing of the Motion for the Third Extension of an Initial Order on April 16, 2012, the Petitioner submitted monthly cash flow projections covering the period from April 1, 2012, to October 31, 2012 ("Budget"), a copy of which is attached as Exhibit "2" to the Ninth Report of the Monitor on the State of the Petitioner's Financial Affairs.
18. As of September 30, 2012, the Petitioner's cash balances amounted to \$14.8 million as compared to the projected balance of \$12.2 million, on which we comment as follows:
- \$0.5 million positive variance relating to net results from operations:
 - As noted in prior reports, Kitco has experienced higher than budgeted gross margins due to a continued shift in the Company's sales mix as compared to historical patterns and its April 2012, projections. This higher margin has offset the overall lower than budgeted levels of activity experienced by Kitco in this Period, which continues a trend that commenced in October 2011.
 - Further, favourable timing variances in respect of working capital items have contributed to the positive variance. As noted in prior reports, due to the nature of its operations, the Company experiences fluctuations in working capital items, and as such, certain of these timing variances are likely to reverse in future periods.
 - \$2.1 million positive variance related to cash disbursements:
 - The positive variance is primarily attributed to significantly lower than budgeted general and administrative costs, a \$1.8 million savings which is primarily permanent in nature. Management reports that it was successful in continuing to control its selling, general and administrative expenses during the Period.
19. For additional details, we refer you to Exhibit "1" attached hereto entitled Comparative Cash Flow for the period April 1, 2012 to September 30, 2012.

20. Since the filing of the CCAA, the Petitioner is paying its suppliers based on negotiated terms or upon receipt of invoices. The Petitioner advises that since the filing, it has not incurred significant liabilities which remain unpaid.

CASH FLOW PROJECTIONS

21. The Petitioner presents to this Court its Statement of Projected Cash Flow ("Projections") for the period October 1, 2012 to October 31, 2013 ("Budget Period") (Exhibit "2").
22. The Projections for the Period are based on information and assumptions provided by management based on financial and other information available as of October 1, 2012. The cash flow projections have been prepared using probable assumptions supported and consistent with the plans of the Company for the Period, considering the economic conditions that are considered the most probable by management. Since the projections are 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.
23. The basic assumptions underlying the Projections are that the Company will continue to operate in the normal course of business which involves the processing of customer transactions including the sale and purchase of pool account participations, the acceptance or return of customer deposits and storage or delivery of metals.
24. The projected cash flow reflects the following:
- \$18.6 million of net results from operations representing the projected margin resulting from customer trades and other product lines during the Budget Period. Although they did not specifically forecast sales and gross margin targets, Management's projected net results from operations do incorporate recent trending in respect of sales volumes, sales mix and gross margins. We caution that as the projections are based on assumptions regarding future events, and due to the length of the forecast period, actual results will vary from the information presented, and the variations may be material;
 - \$20.0 million of cash disbursements, summarized as follows:
 - \$9.9 million of salaries and benefits which is based upon current payroll levels adjusted for anticipated salary increases effective January 2013 along with a provision for potential retention bonuses in February 2013;
 - \$7.9 million of general and administrative costs as forecast are higher than recent trending to account for contingencies, possible increases in certain categories of expenses should sales increase, maintenance Capex as well as general conservatism;

- \$2.2 million of restructuring/other costs consist primarily of projected professional fees for Debtor counsel, tax counsel in respect of the various assessments as well as the Monitor and its counsel. The projected fees are based on current run rates as well as a provision for increased costs depending on future events. Other costs primarily include \$155k of costs associated with the real estate development, as noted below as well as the settlement cost relating to the termination of a small portion of the head office lease;
- No significant capital expenditures are anticipated in the Budget Period other than those included in general and administrative expenses;
- \$1.4 million net negative cash flow from operations over the Budget Period;
- Net profit from operations during the Budget Period is projected to be \$1.4 million after taking into account the non-reimbursed sales taxes and restructuring/other costs.

UPDATE REGARDING THE REAL ESTATE TRANSACTIONS

25. As noted in prior reports, the Company has various commitments to purchase office and condo space in a real estate project in Montreal known as Altitude. The financial commitment is summarized in the table below:

| Unit # | Unit Price | Taxes | Total | 25% Deposit | Balance Due |
|----------------------------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|
| Residential Condominiums ¹ | | | | | |
| 2904 ^{2,3} | \$ 1,360 | \$ 175 | \$ 1,535 | \$ 384 | \$ 1,151 |
| 2905 ^{2,3} | 519 | 67 | 586 | 146 | 439 |
| 3203 ³ | 2,772 | 357 | 3,129 | 782 | 2,347 |
| | <u>\$ 4,651</u> | <u>\$ 599</u> | <u>\$ 5,250</u> | <u>\$ 1,312</u> | <u>\$ 3,937</u> |
| Office Space ⁴ | <u>\$ 10,050</u> | <u>\$ 1,294</u> | <u>\$ 11,344</u> | <u>\$ 2,836</u> | <u>\$ 8,508</u> |
| Total | <u>\$ 14,701</u> | <u>\$ 1,893</u> | <u>\$ 16,594</u> | <u>\$ 4,148</u> | <u>\$ 12,445</u> |

¹ Unit price for the residential condominiums includes \$50,000 for each condominium in respect of parking.

² According to Kitco, units 2904 and 2905 were combined into one unit, unit 2903.

³ Kitco owes an additional \$155K to Altitude in respect of appliances, flooring and other finishings for these units. The Company will be seeking Court approval of the payment of these amounts.

⁴ Office space consists of 4 floors totalling approximately 20,000 square feet.

26. Altitude has recently informed the Company that it expects to complete the office and residential units in January and March 2013 respectively. Accordingly, it is possible that the Company will be called upon to close on these units in Q1 of 2013.

27. The Company has advised the Monitor that it is seeking financing for these units and/or is seeking to sell or lease these units or its rights in connection therewith. Further, in addition to working with Altitude to find tenants/buyers for the office and condo space, as the case may be, the Company is in the process of engaging its own brokers to market these units. Any such financing or sales will be subject to the prior approval of this Court.

MOVEMENT IN CUSTOMER INVENTORY POOL

28. The position of the customer inventory pool is summarized below:

| Kitco Metals Inc. Customer Inventory Pool Variation | | | | | | |
|--------------------------------------------------------|------------------|----------|----------------|------------------|--------------------|------------------|
| June 8, 2011 | | | June 30, 2012 | | September 30, 2012 | |
| Ounces | Value | | Ounces | Value | Ounces | Value |
| (in thousands) | (in \$ millions) | | (in thousands) | (in \$ millions) | thousands) | (in \$ millions) |
| Gold | 96 | \$ 145.9 | 93 | \$ 153.1 | 91 | \$ 160.6 |
| Silver | 4,848 | 176.8 | 4,924 | 139.5 | 4,942 | 169.7 |
| Platinum | 6 | 11.7 | 7 | 9.9 | 7 | 11.0 |
| Palladium | 23 | 18.7 | 16 | 9.5 | 16 | 10.0 |
| Rhodium | 6 | 13.5 | 7 | 9.8 | 8 | 9.4 |
| | 4,979 | \$ 366.6 | 5,047 | \$ 321.8 | 5,064 | \$ 360.7 |

29. In terms of ounces of precious metals, the overall customer pool balance is relatively unchanged from the quarter ended June 30, 2012 with declines in gold being offset by increases in silver. The value of the pool holdings has increased since June 30, 2012 driven largely by increased prices for gold and silver.
30. Exhibit "3" attached hereto is a summary of the movement in all metals on a monthly basis since the commencement of the restructuring.

CLAIMS PROCESS

31. As previously reported, pursuant to a Court approved claims process and a July 20, 2012 claims bar date, the Monitor received 43 unsecured claims in the approximate amount of \$303 million. A copy of the claims register is attached hereto as Exhibit "4". We comment as follows:

- \$284 million of claims filed by the ARQ vs. \$317.7 million as reflected on the Petitioner's Statement of Affairs. The Monitor has requested additional information from ARQ in respect of the claims filed but has not yet received a response. These claims are contested by the Petitioner;
- \$2.3 million claim filed by the Receiver General of Canada vs. \$3.0 million on the Statement of Affairs. This claim is under review by the Petitioner;
- \$10.0 million claim filed by Kitco International Limited ("KIL"). KIL is a related party. As reported in our Tenth Report, KIL assigned \$4.7 million of its claim to Heraeus Metals New York LLC ("Heraeus") following a judgment obtained by Heraeus against KIL;
- \$5.0 million claim filed by Heraeus which includes the \$4.7 million assignment from KIL as well as a direct claim for losses against Kitco.
- The Monitor will take steps to settle the duplicate claims when the claims process is extended to the treatment of the claims.

CUSTOMER DEPOSITS

32. Customer deposits, which represent cash balances held by Kitco in segregated bank accounts on behalf of its customers, amount to \$53.1 million (vs. \$49.2 million as of June 30, 2012). As per the attached chart (Exhibit "5"), since the commencement of the restructuring proceedings, customer deposits have ranged from \$48 million to \$78 million with an average balance of \$55 million. Management believes that the current customer deposit balance is correlated with general market conditions and the overall activity levels of the Company.

TRANSACTIONS CARRIED OUT BY THE SCRAP GOLD PURCHASING DEPARTMENT

33. We refer to Exhibit "6" attached hereto for a summary of the operations of the Petitioner's scrap metals department since it filed for protection on June 8, 2011. We note that the value of scrap metals as of September 30, 2012 (as reflected in Exhibit "6") is based on spot pricing at that date. Kitco does not value its scrap metal position on a daily basis, but rather only tracks the unit movement in ounces of scrap metals daily.
34. In respect of the more material scrap metal positions, we comment as follows:
- a) Gold:
- From July 1, 2012 to September 30, 2012, Kitco purchased approximately 2,100 ounces of scrap gold and shipped approximately 1,400 ounces of scrap gold for processing, predominantly to the

Royal Canadian Mint ("RCM"), resulting in a balance of scrap gold of approximately 2,900 ounces on September 30, 2012;

- Since the commencement of the restructuring, scrap gold purchases have totaled approximately 4,500 transactions with an average of approximately 3 ounces per transaction. As explained in our prior Reports, according to Management, this volume is significantly below its normal level of scrap gold purchases and is due to Kitco's inability to recover its input tax credits which are being withheld by ARQ.

b) Silver:

- From July 1, 2012 to September 30, 2012, Kitco purchased approximately 26,700 ounces of scrap silver and did not ship any ounces of silver for refining, resulting in a September 30, 2012 balance of scrap silver of approximately 39,700 ounces;
- Since the commencement of the restructuring, scrap silver purchases have totaled approximately 2,700 transactions with an average of 51 ounces per transaction. As explained in our prior Reports, according to Management, this volume is significantly below its normal level of scrap gold purchases, and is due to Kitco's inability to recover its input tax credits which are being withheld by ARQ.

CANADIAN ALLOCATED STORAGE ("CAS") PROGRAM

35. As reflected in previous Reports, Kitco's CAS program allows customers to store purchased physical metals on a segregated and allocated basis at either Kitco's head office location in Montreal, Quebec and at a third party storage facility (currently Garda). In terms of overall CAS positions held on behalf of its customers as at September 30, 2012, Kitco maintained ~6,800 ounces of gold for a reported value of \$11.9 million (vs. ~6,300 ounces as of June 30, 2012 and ~12,900 ounces as of June 7, 2011) and ~287,300 ounces of silver for a reported value of \$9.8 million (vs. ~271,800 ounces as of June 30, 2012 and ~198,000 ounces as of June 7, 2011).
36. Exhibit "7" attached hereto is a summary of the movement in the gold and silver CAS on a monthly basis.

FORWARD CONTRACTS

37. We refer to our prior Reports which summarize Kitco's and Kitco International Limited's ("KIL") involvement in various forward contracts. There have been no further developments to report upon in the quarter ended September 30, 2012.

PROCEDURAL DEVELOPMENTS WITH RESPECT TO THE CONTESTATION BY THE PETITIONER OF THE NOTICES OF ASSESSMENT ISSUED BY THE ARQ

38. We refer to the attached memo from the Petitioner's tax counsel (Exhibit "8") which sets out the status of recent developments relating to the notices of assessments and other proceedings between Kitco and the ARQ.
39. On June 6, 2012, Kitco presented a motion to institute proceedings against ARQ, the Attorney General of Quebec and the Attorney General of Canada. Kitco is seeking \$121 million in compensatory damages (up to April 30, 2012) and \$1.5 million in punitive damages. The Monitor will provide further updates as necessary.

DECEMBER 2011 NOTICE OF ASSESSMENT FROM CANADA REVENUE AGENCY ("CRA") AND JUNE 2012 NOTICE OF ASSESSMENTS FROM ARQ

40. We refer to our Eighth Report wherein we indicated that Kitco received a Notice of Assessment from CRA in the amount of \$13 million relating to the disallowance of various costs relating to the 2008 and 2009 taxation years, which was subsequently reduced to approximately \$7.9 million. Based on the information provided to the Monitor, these assessments are not related to the notices of assessment from the ARQ which precipitated Kitco's restructuring proceedings. There have been no material developments since our Eighth Report. We will provide further updates as necessary.
41. Following the issuance by CRA of Notices of Assessment relating to the disallowance of costs, in June 2012, ARQ has now assessed Kitco \$8.9 million for the 2005 to 2010 taxation years on similar grounds. Kitco advises that it has filed a notice of objection to these assessments.
42. Any action relating to these assessments are currently stayed during the pendency of the CCAA proceedings.

MAY 2012 NOTICE OF ASSESSMENT FROM ARQ

43. On May 15, 2012, Kitco received a Notice of Assessment from ARQ in the amount of \$5.5 million wherein the ARQ disallowed various deductions claimed in the Fiscal 2011 taxation year. These deductions relate to the contested assessments filed by ARQ in respect of input tax credits. Kitco has filed a notice of objection to this assessment and the matter is under review by the ARQ. We will provide further updates as necessary.

ACTIVITIES OF THE MONITOR

44. The Monitor's activities have included the following:

- The Monitor has been at the premises of the Company as required to carry out its duties including the requirement to monitor: i) the Petitioner's cash flow, ii) the position of the precious metals and participations in pool accounts, iii) position of segregated accounts and storage accounts and iv) transactions carried out by the scrap gold purchasing department. As well, the Monitor has had meetings and conference calls with the Petitioner's management and legal counsel with a view to keeping all parties apprised of material developments and to seek input with respect to the restructuring process;
- The Monitor continues to respond to queries from suppliers, customers or other unsecured creditors;
- The Monitor has communicated with Petitioner's counsel to follow the status of developments relating to the notices of assessment;
- The Monitor reviewed the Petitioner's financial affairs and results;
- The Monitor reviewed the proposed real estate transactions proposed by the Company;
- The Monitor has administered the claims process;
- The Monitor has prepared and filed this Report;
- Other administrative and statutory matters relating to the Monitor's appointment.

REQUEST FOR EXTENSION

45. At the present time, it is premature for the Petitioner to devise a Plan of Arrangement and present same to its creditors. The Petitioner is seeking an extension in order to continue its negotiations / litigation with ARQ as any Plan of Arrangement will be contingent on the outcome of this disputed liability.

46. The Petitioner has been paying for all goods and services received subsequent to the date of filing the CCAA.

47. The Petitioner's management has, and continues to act in good faith, with due diligence and has been cooperating with all stakeholders involved in this process, including but not limited to the Monitor, ARQ, and Kitco's other creditors.

48. Given the present state of the tax litigation, it is not anticipated that a resolution will arise within the next year.

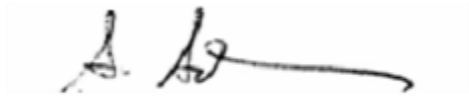
49. The Monitor is supporting the extension of the Initial Order until October 17, 2013, for the above noted reasons.

50. The Court should grant this extension as:

- The Petitioner has and continues to act in good faith and with diligence;
- The Petitioner needs additional time in order to negotiate / litigate with ARQ, the whole to permit it to resolve this issue and present a Plan of Arrangement to its creditors;
- The Petitioner has not prejudiced its creditors as it has paid for post-filing liabilities incurred since the date of filing and the Cash Flow Projections indicate that it will continue to do so;
- A lengthier extension will reduce the cost associated with regular Motions for extension of delays;
- RSM Richter will continue to inform the Court of the evolution of the file through the filing of its quarterly reports;
- The extension will not cause any prejudice to the various stakeholders.

Respectfully submitted at Montreal, this 12th day of October 2012.

RSM Richter Inc.
Monitor

A handwritten signature in black ink, appearing to read 'A. Adessky', followed by a long horizontal flourish.

Andrew Adessky, CPA, CA, CIRP

Kitco Metals Inc.
Comparative Cash Flow
For the Period: April 2, 2012 - September 30, 2012
(in millions \$CAD)
Unaudited

Exhibit "1"

| | Reported | Projected | Variance | |
|--------------------------------------------|-----------------|------------------|-----------------|----------|
| <u>Net Results from Operations</u> | \$ 8.6 | \$ 8.1 | \$ 0.5 | 1 |
| <u>Disbursements</u> | | | | |
| Salary and Benefits | 4.9 | 4.9 | - | 2 |
| General and Administrative | 1.9 | 3.7 | 1.8 | 3 |
| Restructuring Costs | 0.6 | 0.9 | 0.3 | |
| | 7.4 | 9.5 | 2.1 | |
| Net Cash Flow | 1.2 | (1.4) | 2.6 | |
| Opening Consolidated Bank Balance per Book | 13.6 | 13.6 | - | |
| Closing Consolidated Bank Balance per Book | \$ 14.8 | \$ 12.2 | \$ 2.6 | 4 |

Note 1: Management attributes the favourable variance to higher than budgeted gross margins due to a shifting product mix to higher margin items, in addition to timing differences with respect to accounts receivable and inventory, which may reverse in future periods.

Note 2: Reported salary and benefits includes \$0.7 million in employee termination and severance payments (as budgeted).

Note 3: Reported general and administrative trended favourably compared to budget as Kitco controls expenses and implements cost cutting initiatives.

Note 4: Closing consolidated bank balance includes \$0.3 million of cash on hand.

Kitco Metals, Inc.
Statement of Projected Cash Flow
For the Period: October 1, 2012 to October 31, 2013
(in thousands \$CAD)¹

Exhibit "2"

| | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | TOTAL |
|---------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Receipts | | | | | | | | | | | | | | |
| Net results from Operations | \$ 1,500 | \$ 1,500 | \$ 1,100 | \$ 1,400 | \$ 1,400 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,400 | \$ 1,400 | \$ 1,400 | \$ 1,500 | \$ 1,500 | \$ 18,600 |
| Disbursements | | | | | | | | | | | | | | |
| Salary and benefits ² | 619 | 928 | 619 | 639 | 1,099 | 669 | 669 | 1,003 | 669 | 669 | 669 | 669 | 1,003 | 9,924 |
| General and administrative | 621 | 621 | 616 | 599 | 599 | 599 | 599 | 599 | 599 | 599 | 599 | 599 | 599 | 7,848 |
| Restructuring costs/other ³ | 311 | 182 | 156 | 156 | 156 | 156 | 156 | 156 | 156 | 156 | 156 | 156 | 156 | 2,209 |
| Total Disbursements | 1,551 | 1,731 | 1,391 | 1,394 | 1,854 | 1,424 | 1,424 | 1,758 | 1,424 | 1,424 | 1,424 | 1,424 | 1,758 | 19,981 |
| Net Cash Flow | (51) | (231) | (291) | 6 | (454) | 76 | 76 | (258) | (24) | (24) | (24) | 76 | (258) | (1,381) |
| Opening consolidated bank balance per book ⁴ | 14,800 | 14,749 | 14,518 | 14,227 | 14,233 | 13,779 | 13,855 | 13,931 | 13,673 | 13,649 | 13,625 | 13,601 | 13,677 | 14,800 |
| Closing consolidated bank balance per book⁴ | \$ 14,749 | \$ 14,518 | \$ 14,227 | \$ 14,233 | \$ 13,779 | \$ 13,855 | \$ 13,931 | \$ 13,673 | \$ 13,649 | \$ 13,625 | \$ 13,601 | \$ 13,677 | \$ 13,419 | \$ 13,419 |

| | |
|-------------------------------------------------------------|-----------------|
| Profit and Loss Normalization (Extraordinary Items): | |
| Net Cash Flow | (1,381) |
| Add Back: | |
| Non-reimbursed GST/QST ⁵ | 585 |
| Restructuring Costs/Other | 2,209 |
| Net Profit From Operations: | \$ 1,413 |

Note 1: All amounts are in Canadian funds. The cash flow assumes no exchange rate fluctuation during the cash flow period.

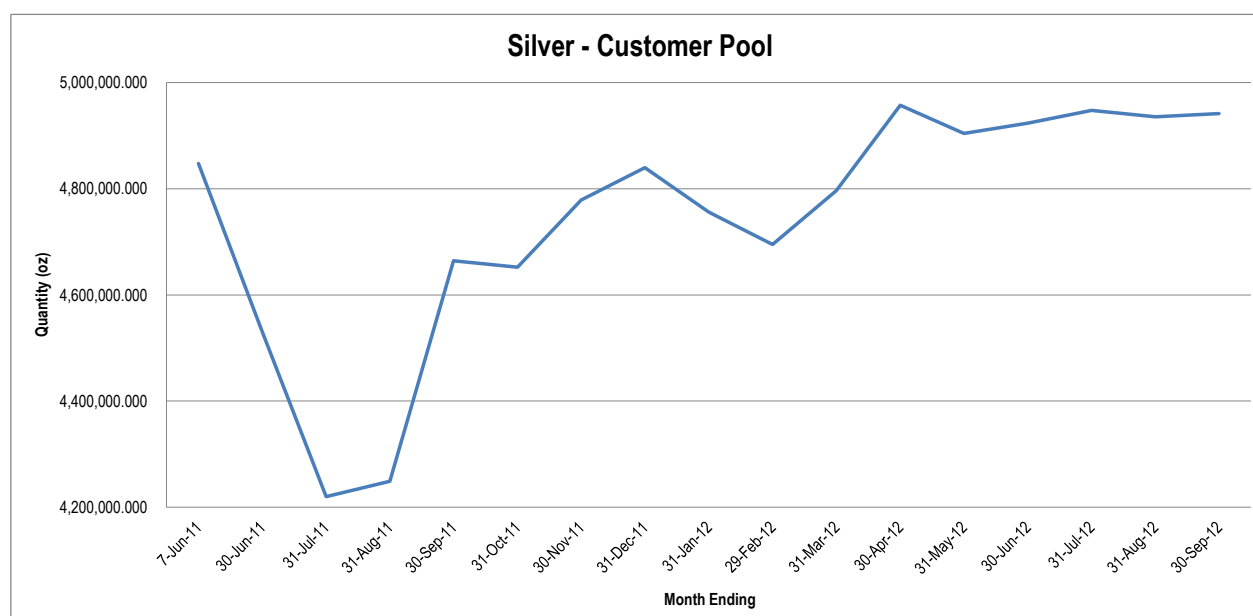
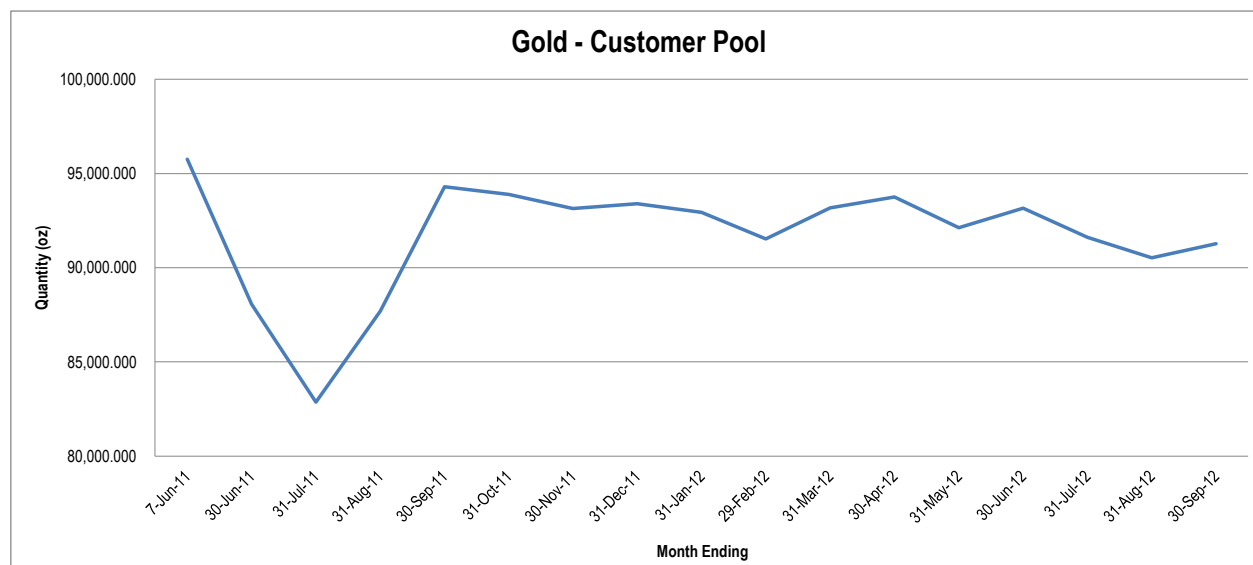
Note 2: Salary and benefits includes a provision in February 2013 for the payment of employee retention bonuses.

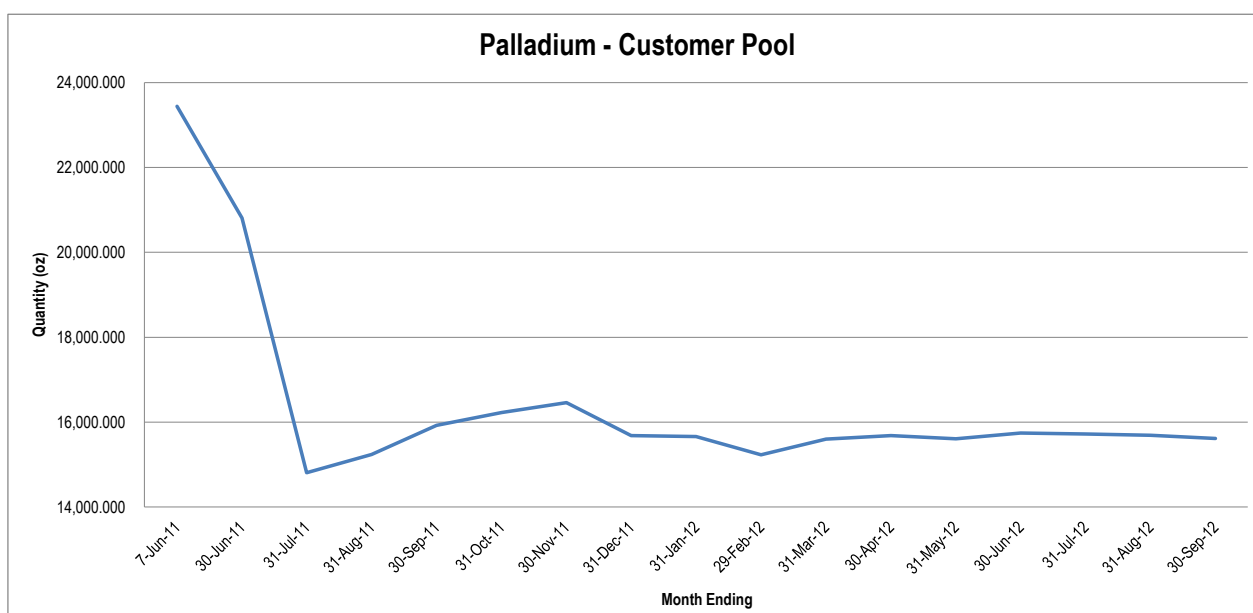
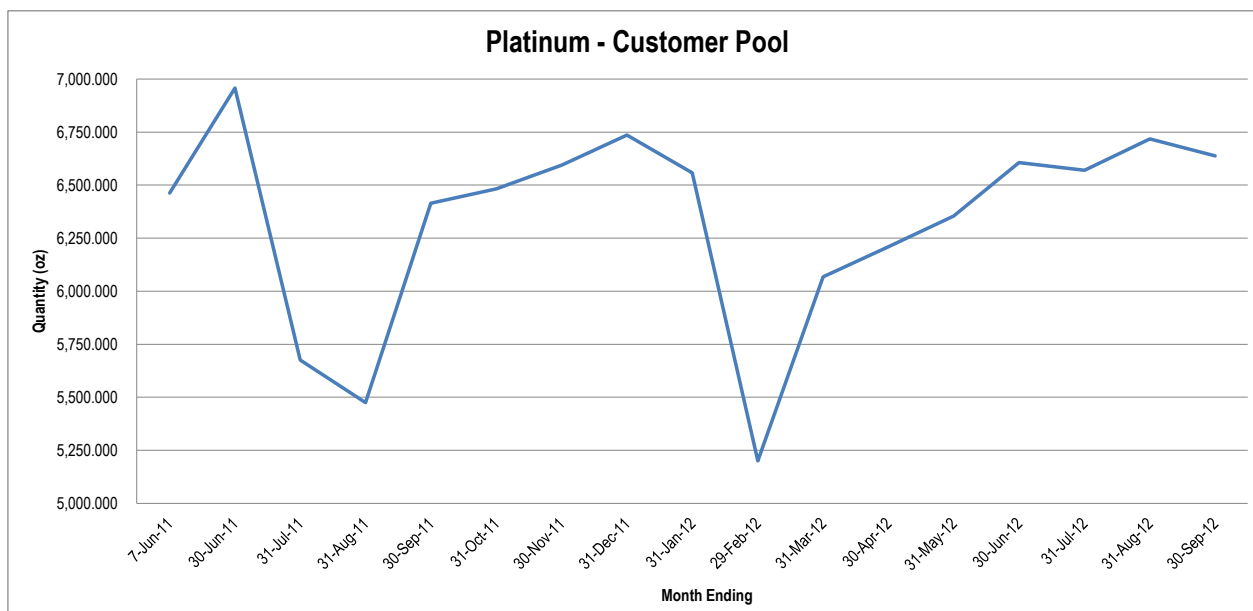
Note 3: Restructuring Costs/Other includes a provision for debtor counsel, the Monitor and its counsel as well as tax counsel in respect of various tax assessments. Further, this line item includes a \$155k provision for costs related to the Company's real estate investment (as more fully discussed in the report) as well as lease termination costs.

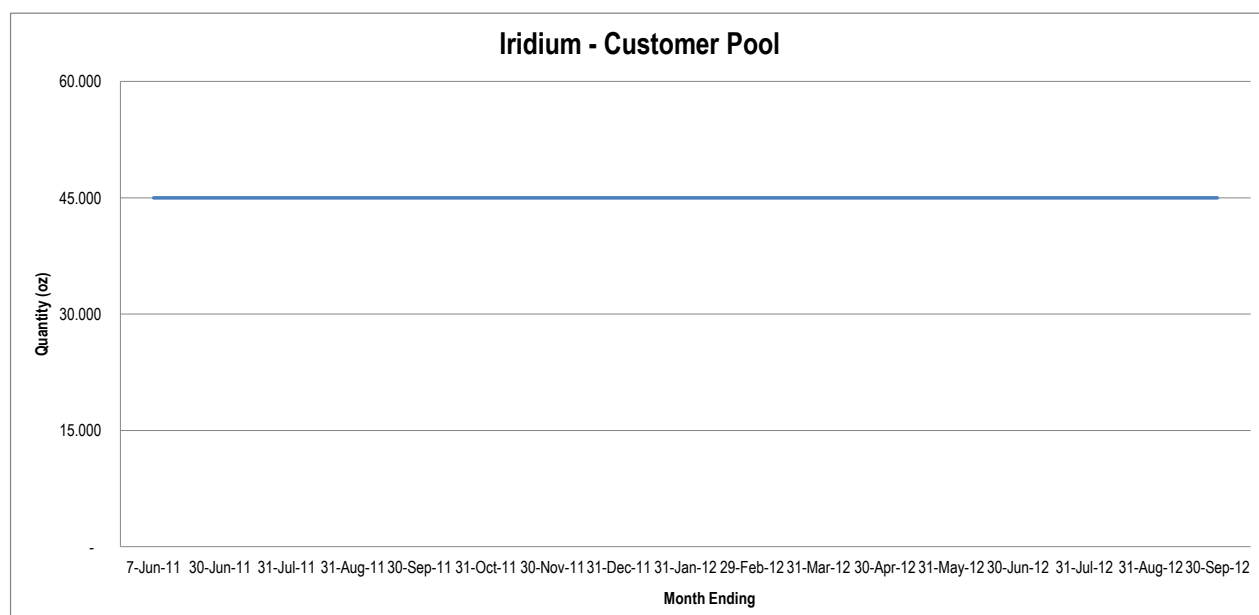
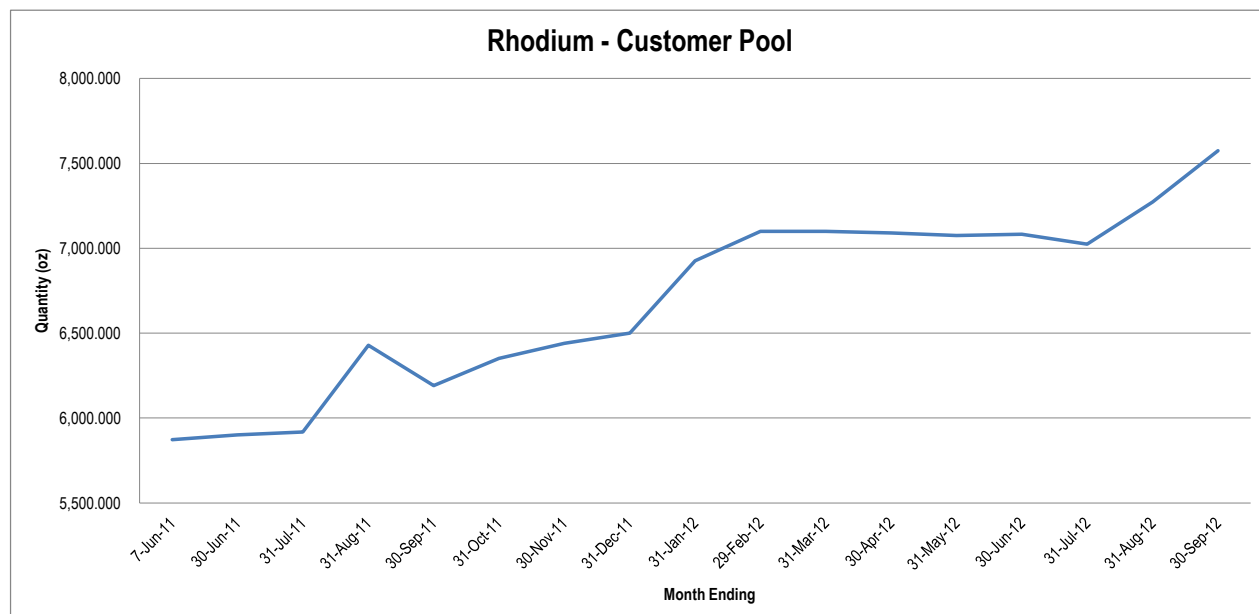
Note 4: The consolidated bank balance per book excludes customer deposits which are held in segregated accounts.

Note 5: Represents estimated net sales tax reimbursement for the cash flow period which are not expected to be reimbursed by ARQ due to the ongoing dispute.


Bart Rither
Kitco Metals Inc.







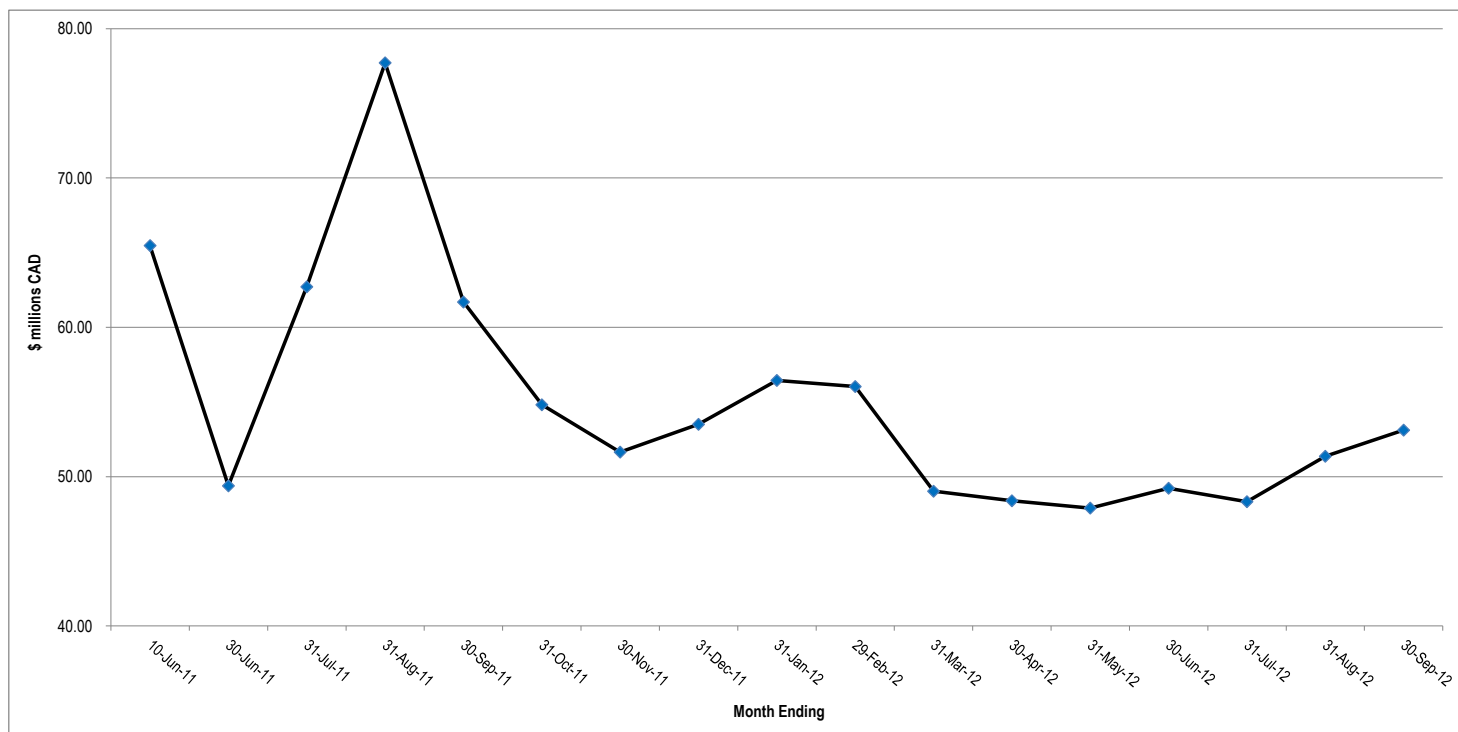
Claims Register

In the Matter of the Plan of Compromise and Arrangement of Kitco Metals Inc.

| Creditor Name | Proof of Claim Filed | Claim Status | Statement of Affairs Amount | Proof of Claim Filed | Variance |
|------------------------------------------------------|----------------------|--------------|-----------------------------|----------------------|-----------------|
| Preferred creditors | | | | | |
| 1. CANSPTS.CA | Yes | Not proved | | 81.34 | (81.34) |
| | Preferred creditors | | | 81.34 | (81.34) |
| Unsecured creditors | | | | | |
| 1. 1135196 ONTARIO INC (HOWARD'S PAWN SHOP) | Yes | Not proved | 21,779.29 | 21,779.29 | - |
| 2 2982897 CANADA INC. (EPM MECANIC) | Yes | Not proved | 1,062.37 | 1,062.37 | - |
| 3 9031-7637 QUEBEC INC. | Yes | Not proved | 4,379.71 | 4,379.71 | - |
| 4 9120-6094 QUEBEC INC. | Yes | Not proved | | 6,759.14 | (6,759.14) |
| 5 BAILLAIRGE MCDUFF INC. | Yes | Not proved | 4,386.12 | 4,386.12 | - |
| 6 BIJOUTERIE ET LIBRAIRIE LA PARCHEMIN INC. | Yes | Not proved | 10,629.68 | 10,621.95 | 7.73 |
| 7 BIJOUX MEPAT INC (LES) | Yes | Not proved | 13,634.38 | 14,941.50 | (1,307.12) |
| 8 CANADA POST CORPORATION | Yes | Not proved | 5,622.06 | 5,641.28 | (19.22) |
| 9 CFH SECURITE INC. | Yes | Not proved | 575.32 | 575.32 | - |
| 10 CHECKWELL DECISION CORPORATION | Yes | Not proved | 4,728.11 | 5,496.82 | (768.71) |
| 11 COINS 'N THINGS INC. | Yes | Not proved | 60,771.45 | 61,771.45 | (1,000.00) |
| 12 COLLINS BARROW LLP | Yes | Not proved | 16,006.47 | 16,006.47 | - |
| 13 CSST | Yes | Not proved | | 4,504.63 | (4,504.63) |
| 14 DELL CANADA INC. | Yes | Not proved | 33,103.31 | 55,374.78 | (22,271.47) |
| 15 DIROP, INC. dba DIRECT OPINIONS * | Yes | Not proved | 3,565.50 | 3,487.06 | 78.44 |
| 16 ENTREPRISES D'ELECTRICITE E.G. LTEE (LES) | Yes | Not proved | 4,972.90 | 4,972.90 | - |
| 17 FOURNITURES DE BUREAU DENIS | Yes | Not proved | 1,714.53 | 1,714.53 | - |
| 18 G4S INTERNATIONAL LOGISTICS (USA), INC. * | Yes | Not proved | 496,664.17 | 502,983.84 | (6,319.67) |
| 19 GAZ METRO | Yes | Not proved | 39.71 | 39.71 | - |
| 20 GROUPE G E NATIONALES | Yes | Not proved | 22,068.80 | 19,131.84 | 2,936.96 |
| 21 HALOGEN SOFTWARE INC | Yes | Not proved | 10,415.73 | 10,366.04 | 49.69 |
| 22 HERAEUS METALS NEW YORK, LLC | Yes | Not proved | | 4,968,326.00 | (4,968,326.00) |
| 23 IMPERIAL SMELTING AND REFINING CO. OF CANADA LTD. | Yes | Not proved | 656.46 | 656.46 | - |
| 24 KITCO INTERNATIONAL LIMITED | Yes | Not proved | | 9,985,069.60 | (9,985,069.60) |
| 25 KITCO LOGISTICS INC.* | Yes | Not proved | 91,284.79 | 89,276.52 | 2,008.27 |
| 26 KITCO MINERALS AND METALS INC. | Yes | Not proved | | 371,846.28 | (371,846.28) |
| 27 LRP CORPORATE SUPPORT INITIATIVES | Yes | Not proved | 8,123.35 | 8,123.35 | - |
| 28 MINISTERE DU REVENU | Yes | Not proved | 313,000,000.00 | 197,572,369.47 | 115,427,630.53 |
| 29 MINISTRE DU REVENUE DU QUEBEC | Yes | Not proved | 4,700,000.00 | 86,529,922.10 | (81,829,922.10) |
| 30 MITEL NETWORKS CORPORATION | Yes | Not proved | 11,211.02 | 11,211.01 | 0.01 |
| 31 NET SOLUTIONS | Yes | Not proved | 7,800.00 | 7,800.00 | - |
| 32 NIKNAK LABORATORY SUPPLIES INC. | Yes | Not proved | 10,698.84 | 10,698.84 | - |
| 33 NORTON ROSE CANADA S.E.N.C.R.L., s.r.l | Yes | Not proved | 3,633.64 | 8,940.27 | (5,306.63) |
| 34 POMPE ET FILTRATION MIRABEL INC. | Yes | Not proved | 488.67 | 488.67 | - |
| 35 R3D CONSEIL INC. | Yes | Not proved | 14,536.83 | 23,810.56 | (9,273.73) |
| 36 RECEIVER GENERAL OF CANADA | Yes | Not proved | 3,026,443.72 | 2,280,175.30 | 746,268.42 |
| 37 SAMEN INVESTMENTS INC | Yes | Not proved | 2,341.80 | 2,533.12 | (191.32) |
| 38 SWEIBEL NOVEK L.L.P. | Yes | Not proved | 17,498.04 | 13,766.47 | 3,731.57 |
| 39 SYLPROTEC INC . | Yes | Not proved | 241.07 | 241.07 | - |
| 40 TRANSPORT FDM ENR. | Yes | Not proved | 790.48 | 790.48 | - |
| 41 VETROTECH INC. | Yes | Not proved | 985.45 | 985.45 | - |
| 42 XEROX CANADA LTEE | Yes | Not proved | 30.63 | 37.28 | (6.65) |
| 43 XRF LABWARE PTY LTD. | Yes | Not proved | 27,720.59 | 28,603.57 | (882.98) |
| | Unsecured creditors | | 321,640,604.99 | 302,671,668.62 | 18,968,936.37 |

Kitco Metals Inc.
Summary of Customer Deposits
For the Period: June 10, 2011 to September 30, 2012
Unaudited

Exhibit "5"



Kitco Metals Inc.
Summary of Scrap Transactions
For the period June 8, 2011 to September 30, 2012

Exhibit "6"

| Gold | | |
|-------------------|------------------|--------|
| | Ounces | \$ |
| | (in \$ millions) | |
| Beginning balance | 2,623 | |
| Purchase | 15,213 | |
| Sale | (25) | |
| Sent to refinery | (14,870) | |
| Ending balance | 2,941 | \$ 5.2 |

| | | Silver | |
|-------------------|-----------|------------------|-----|
| | | Ounces | \$ |
| | | (in \$ millions) | |
| Beginning balance | 101,633 | | |
| Purchase | 133,548 | | |
| Sale | (2,491) | | |
| Sent to refinery | (193,008) | | |
| Ending balance | 39,681 | \$ | 1.4 |

| | | Platinum | |
|-------------------|---------|------------------|-----|
| | Ounces | | \$ |
| | | (in \$ millions) | |
| Beginning balance | 1,293 | | |
| Purchase | 2,437 | | |
| Sale | (0) | | |
| Sent to refinery | (2,957) | | |
| Ending balance | 773 | \$ | 1.3 |

| Palladium | | |
|-------------------|------------------|--------|
| | Ounces | \$ |
| | (in \$ millions) | |
| Beginning balance | 266 | |
| Purchase | 159 | |
| Sale | - | |
| Sent to refinery | (196) | |
| Ending balance | 229 | \$ 0.1 |

| | | Iridium | |
|-------------------|-------|------------------|-----|
| | | Ounces | \$ |
| | | (in \$ millions) | |
| Beginning balance | 102 | | |
| Purchase | 129 | | |
| Sale | - | | |
| Sent to refinery | (176) | | |
| Ending balance | 55 | \$ | 0.1 |

| Rhodium | | |
|-------------------|--------|------|
| | Ounces | \$ |
| (in \$ millions) | | |
| Beginning balance | 48 | |
| Purchase | 69 | |
| Sale | - | |
| Sent to refinery | (78) | |
| Ending balance | 39 | \$ - |

Note 1: the value of the scrap metal as of September 30, 2012 is based upon spot pricing as of that date.

Kitco Metals Inc.
Gold and Silver Canadian Allocated Storage Program
For the Period: June 7, 2011 to September 30, 2012
Unaudited

Exhibit "7"

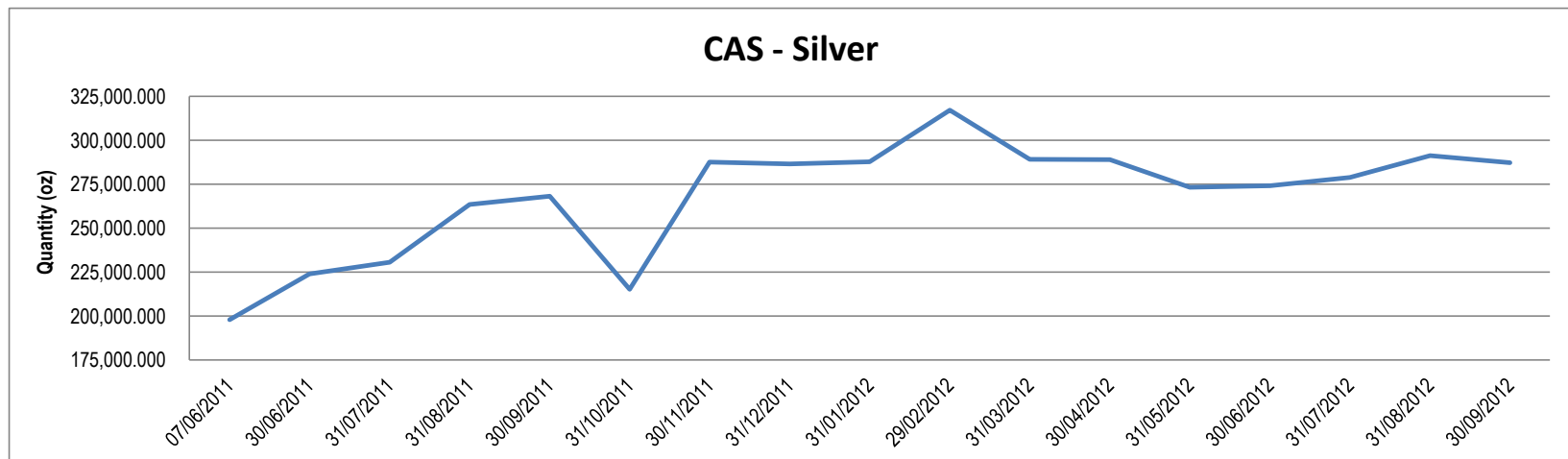
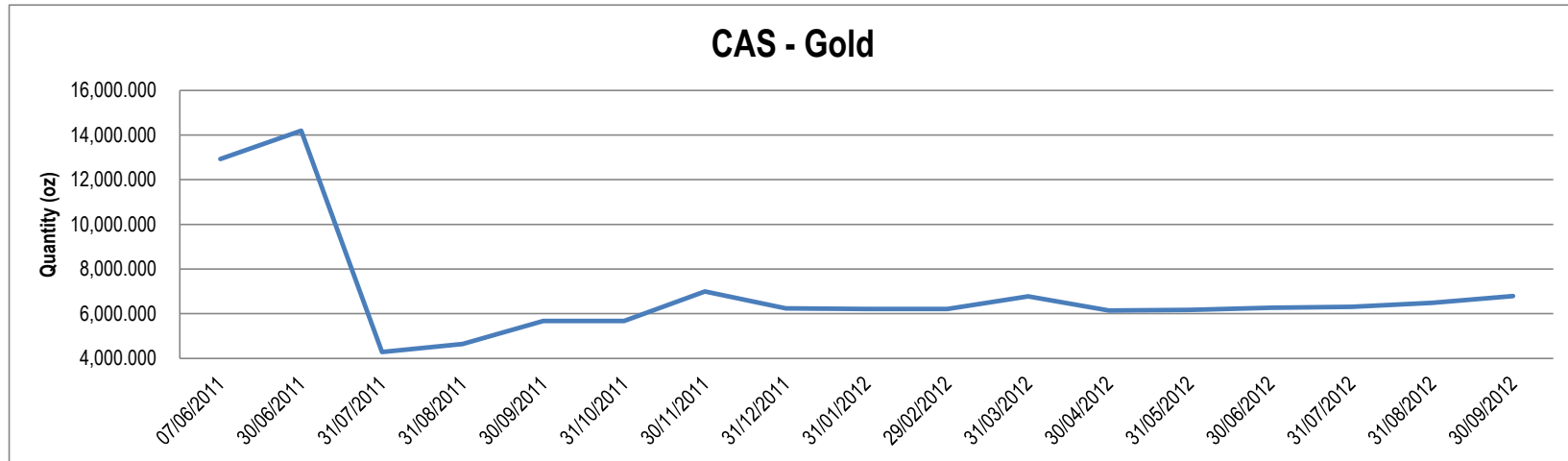


Exhibit 8

Memo from the Petitioner's Tax Counsel

Le 5 octobre 2012

Yves Ouellette

Associé

Ligne directe 514-392-9521

Téléc. direct 514-876-9521

yves.ouellette@gowlings.com

PAR COURRIEL
ET PAR COURRIER

Monsieur Gilles Robillard, CPA, CA
RSM RICHTER INC.
1981, av. McGill College
11^{ème} étage
Montréal (Québec) H3A 0G6

**Objet : In the matter of the Companies' Creditors Arrangement Act, R.S.C. 1985,
ch. C-36
Kitco Metals Inc. and RSM Richter Inc. and l'Agence du revenu du Québec
Cour supérieure, chambre commerciale
NO. : 500-11-040900-116
Notre dossier : L121970003**

Cher Monsieur Robillard,

Suite à l'ordonnance initiale rendue par l'honorable juge Mark Schrager et à votre nomination comme contrôleur conformément à la *Loi sur les arrangements avec les créanciers des compagnies*, L.R.C. (1985), ch. C-36, nous désirons vous faire part des derniers développements à l'égard des dossiers de contestation des avis de cotisation émis en vertu de la *Loi sur la taxe de vente du Québec*, L.R.Q., c. T-0.1 (ci-après la « L.T.V.Q. ») et en vertu de la *Loi sur la taxe d'accise – Partie IX – taxe sur les produits et services*, L.R.C. (1985), ch. E-15 (ci-après la « L.T.A. ») ainsi que des derniers développements dans différents dossiers concernant la société Métaux Kitco Inc. et ayant une influence sur les dossiers de contestation des avis de cotisation.

Plus précisément, nous désirons vous informer de ce qui suit suite à notre dernier rapport :

1. En date des présentes, aucune décision n'a été rendue par la direction des oppositions de l'Agence du revenu du Québec suite aux avis d'opposition notifiés et présentés par la société Métaux Kitco Inc.
2. En ce qui concerne l'enquête de l'Agence du revenu du Québec initiée le 7 juin 2011 par l'exécution de trois (3) mandats de perquisition, l'enquête n'est pas encore complétée et les conclusions de l'enquête ne sont pas encore connues. L'enquête porterait sur plusieurs

volets et plus de ressources gouvernementales auraient été affectées à l'enquête. En référence au dernier rapport, l'enquête n'est toujours pas complétée.

3. En vertu de l'article 40.6 de la *Loi sur l'administration fiscale*, L.R.Q., c. A-6.002 (ci-après la « L.A.F. »), tous les documents, suite à l'exécution des mandats de perquisition dont il a été question aux paragraphes précédents, ne peuvent être retenus plus d'un an à compter de la date de la saisie, laquelle a eu lieu le 7 juin 2011.
4. Or, en date du 1^{er} juin 2012, une demande d'ordonnance de prolongation du délai de rétention de choses saisies a été présentée par l'Agence du revenu du Québec à la Cour du Québec, chambre criminelle et pénale et, comme la question des documents confidentiels, privilégiés et protégés par le secret professionnel n'a pas encore été décidée par la Cour supérieure, la demande d'ordonnance de prolongation du délai de rétention de choses saisies a été remise au 28 septembre 2012.
5. Le 28 septembre 2012, la demande d'ordonnance de prolongation du délai de rétention de choses saisies par l'Agence du revenu du Québec, malgré que l'Agence du revenu du Québec ait déclaré qu'elle était prête à en débattre et malgré que la société Métaux Kitco Inc. ait déclaré être prête à procéder, a été remise au 19 avril 2013 puisque la question des documents confidentiels, privilégiés et protégés par le secret professionnel n'a pas encore été décidée.
6. Pour les fins des présentes, la lettre de l'honorable juge en chef adjoint André Wery de la Cour supérieure portant la date du 4 juin 2012 à l'effet qu'un juge de la Cour supérieure sera désigné pour assurer la gestion particulière du dossier relatif aux documents saisis et qui pourraient être confidentiels, privilégiés et protégés par le secret professionnel a été soumise à l'honorable juge Louise Bourdeau de la Cour du Québec, chambre criminelle et pénale.
7. Comme le juge de la Cour supérieure n'a pas été désigné, la demande de prolongation de la période de rétention des choses saisies a été remise au 19 avril 2013 et, dans l'intervalle, la rétention des choses saisies lors de l'exécution des trois (3) mandats de perquisition a été prolongée jusqu'à cette date.
8. En résumé, compte tenu des circonstances décrites aux paragraphes précédents, l'enquête de l'Agence du revenu du Québec n'est pas complétée.
9. Au niveau de la question des documents saisis et confidentiels, privilégiés et protégés par le secret professionnel et, notamment à l'égard des requêtes pour directives présentées par l'Agence du revenu du Québec et par la société Métaux Kitco Inc., ces requêtes n'ont pas encore été entendues et un juge de la Cour supérieure devrait être désigné par l'honorable juge en chef adjoint de la Cour supérieure.
10. Dans l'intervalle, Métaux Kitco Inc. a fait signifier une requête introductive d'instance en déclaration d'incapacité à l'encontre du cabinet d'avocats Heenan Blaikie, s.e.n.c.r.l., s.r.l. à titre de procureurs de l'Agence du revenu du Québec et du Procureur Général du Canada et une demande de gestion particulière à l'égard de ce dossier a été faite à l'honorable juge en chef adjoint André Wery de la Cour supérieure.

11. Métaux Kitco Inc. devait procéder à l'interrogatoire préalable après défense de Me Danny Kaufer et de Me Marie-Josée Hogue au cours du mois de septembre 2012 et, finalement, en date du 3 octobre 2012, ces interrogatoires préalables devraient se tenir le 6 novembre 2012.
12. L'Agence du revenu du Québec, le Procureur Général du Canada et le cabinet Heenan Blaikie, s.e.n.c.r.l., s.r.l. sont représentés par le cabinet Clyde & Co.
13. À l'égard de ce dernier dossier, nous en avons compris que, selon les rencontres intervenues avec l'honorable juge en chef adjoint André Wery, un juge de la Cour supérieure devrait être désigné pour entendre ce litige.
14. Finalement, une procédure intitulée « MOTION TO INSTITUTE PROCEEDINGS IN DAMAGES AND OBTAIN REMEDIES PURSUANT TO THE CANADIAN CHARTER OF RIGHTS AND FREEDOMS AND THE CHARTER OF HUMAN RIGHTS AND FREEDOMS » a été intentée par la société Métaux Kitco Inc. pour un montant de 120 738 959,72 \$ et des dommages punitifs au montant de 1 500 000 \$ sont également réclamés.
15. En date du 21 septembre 2012, comme l'inhabilité du cabinet Heenan Blaikie, s.e.n.c.r.l., s.r.l. n'a pas été décidée, alors que le cabinet Heenan Blaikie, s.e.n.c.r.l., s.r.l. a comparu pour l'Agence du revenu du Québec et le Procureur Général du Canada, l'instance portant le numéro 500-17-072346-128 a été suspendue pour une période de six (6) mois et notamment jusqu'au mercredi 20 mars 2013.
16. Compte tenu que la question des documents confidentiels, privilégiés et protégés par le secret professionnel n'est pas décidée, il est difficile pour la société Métaux Kitco Inc. de s'adresser aux tribunaux compétents pour débattre des avis de cotisation émis en vertu de la L.T.V.Q. et des avis de cotisation émis en vertu de la L.T.A.
17. De plus, tel que mentionné dans le rapport précédent, en raison du fardeau de preuve qui incombe à un appelant dans un litige en matière fiscale et notamment en appel d'avis de cotisation émis en vertu de la L.T.A. et d'avis de cotisation émis en vertu de la L.T.V.Q., les fournisseurs de la société Métaux Kitco Inc. devraient témoigner alors que plusieurs de ces fournisseurs font présentement l'objet d'enquêtes de la part de l'Agence du revenu du Québec.
18. Or, comme ces fournisseurs font l'objet d'enquêtes, il est fort probable que des requêtes en suspension de leurs témoignages puissent être présentées, de sorte qu'il sera très difficile pour la société Métaux Kitco Inc. de rencontrer toutes les exigences quant à son fardeau de preuve.
19. De plus, le 1^{er} juin 2012, lors de la présentation de la demande d'ordonnance de prolongation du délai de rétention de choses saisies devant la Cour du Québec, chambre criminelle et pénale, par l'Agence du revenu du Québec, plusieurs autres demandes d'ordonnance de prolongation du délai de rétention de choses saisies étaient également présentées par l'Agence du revenu du Québec et nous en comprenons que, selon le rôle de la Cour du Québec, chambre criminelle et pénale, pour le 1^{er} juin 2012, plus de soixante (60) demandes d'ordonnance de prolongation du délai de rétention de choses saisies, découlant

prétendument du même projet d'enquête de l'Agence du revenu du Québec, étaient présentée par l'Agence du revenu du Québec.

20. De plus, comme l'enquête de l'Agence du revenu du Québec est toujours en cours et comme cette enquête est contestée suite à la signification d'une requête introductive d'instance en dommages-intérêts et comme la question des documents confidentiels, privilégiés et protégés par le secret professionnel n'est pas encore décidée, nous nous interrogeons sur l'opportunité de débattre immédiatement du bien-fondé des avis de cotisation émis en vertu de la L.T.V.Q. et de la L.T.A., tant et aussi longtemps que l'enquête de l'Agence du revenu du Québec ne sera pas terminée et, par mesure de prudence, nous avons entrepris des démarches auprès d'un autre cabinet d'avocats afin de connaître leur point de vue relativement à l'ensemble de ces questions.
21. Après avoir pris avis auprès de cet autre cabinet d'avocats, celui-ci est également d'avis que les résultats de l'enquête doivent être connus avant de débattre devant les tribunaux compétents du bien-fondé des avis de cotisation dans le but d'assurer la protection des droits constitutionnels de la société Métaux Kitco Inc. et de M. Bart Kitner.
22. De plus, comme la question des documents confidentiels, privilégiés et protégés par le secret professionnel n'a pas encore été décidée et que l'examen des systèmes informatiques doit être effectué afin d'extraire les documents confidentiels, privilégiés et protégés par le secret professionnel, nous sommes également d'avis qu'il serait très difficile, dans un tel contexte, de débattre devant les tribunaux de la validité des avis de cotisation émis en vertu de la L.T.V.Q. et des avis de cotisation émis en vertu de la L.T.A.
23. Vous devez comprendre que la présente constitue un résumé des différentes procédures et qu'à tous égards, afin de bien connaître la position juridique de la société Métaux Kitco Inc., il y a lieu d'en référer à ces différentes procédures pour de plus amples détails ou informations.

Nous espérons ces quelques informations à votre satisfaction et nous vous prions d'agréer, cher Monsieur, l'expression de notre considération.

GOWLING LAFLEUR HENDERSON S.E.N.C.R.L., s.r.l.



Yves Ouellette

YO/ca