

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-

**RICHTER ADVISORY GROUP INC. (formerly
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

**THIRTEENTH REPORT OF THE MONITOR
ON THE STATE OF PETITIONER'S FINANCIAL AFFAIRS
May 10, 2013**

INTRODUCTION

1. On June 8, 2011, Kitco Metals Inc. (the "Petitioner" or "Kitco") filed a Notice of Intention to Make a Proposal and Richter Advisory Group Inc. (formerly known as 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 certain

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 creditors' 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. On October 15, 2012, the Petitioner filed a motion requesting an extension to the stay of proceedings until October 17, 2013, in order to allow the Petitioner additional time to litigate and/or negotiate with ARQ regarding its dispute. In addition, included in the motion was a request to confirm the Petitioner's entitlement to solicit offers of financing, lease or sale with respect to the commercial and residential condo units which Kitco committed to purchase in the real estate project known as Altitude as well as to authorize the payment of certain expenditures in relation thereto. The Monitor filed its Eleventh Report on October 12, 2012, in support of the motion for an extension. On October 15, 2012, the Court granted an order extending the stay of proceedings until June 26, 2013, and approved the various additional aforementioned requests.
15. On February 27, 2013, the Monitor filed its Twelfth Report providing an update to the Court and creditors with respect to the operations of the Petitioner and the activities of the Monitor.
16. All amounts reflected in this report are stated in Canadian currency unless otherwise noted.
17. The purpose of this Thirteenth Report of the Monitor is to inform the Court of the following:
 - Financial Position (for the period January 1, 2013 to March 31, 2013 ("Period"));
 - 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;
 - Procedural Developments with Respect to the Contestation by the Petitioner of the Notices of Assessment Issued by the ARQ;
 - Activities of the Monitor.

18. 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

19. In conjunction with the filing of the Motion for the Fourth Extension of an Initial Order on October 15, 2012, the Petitioner submitted monthly cash flow projections covering the period from October 1, 2012, to October 31, 2013 ("Budget"), a copy of which is attached as Exhibit "2" to the Eleventh Report of the Monitor on the State of the Petitioner's Financial Affairs.
20. As of March 31, 2013, the Petitioner's cash balances amounted to \$15 million as compared to the projected balance of \$13.8 million, on which we comment as follows:
- \$1.6 million negative 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 October 2012 projections. This higher margin has partially 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, unfavourable timing variances in respect of working capital items in the amount of \$1 million contributed to the negative 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.
 - \$2.8 million positive variance related to cash disbursements:
 - The positive variance is primarily attributed to significantly lower than budgeted general and administrative costs, a \$2 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.
 - Further contributing to this positive variance is \$600,000 in salary and benefits. The majority of this variance is attributable to a bonus (\$400,000) budgeted for in February 2013 which did not become payable as targeted results for the calendar year of 2012 were not achieved.

21. For additional details, we refer you to Exhibit "1" attached hereto, entitled Comparative Cash Flow for the Period January 1, 2013 to March 31, 2013.
22. 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 are not being paid in the normal course of its business.

UPDATE REGARDING THE REAL ESTATE TRANSACTIONS

23. Further to the update provided in our Twelfth Report to Court with respect to Kitco's real estate transactions, we advise as follows:
 - Commercial Units: Services Immobiliers Asgaard Inc. ("Asgaard") who were retained to lease / sell these units, advise that they have commenced marketing the space. The Company did receive one offer to purchase the space which was not accepted as the terms were not favorable to the Company.
 - Residential Units: The Company is working with Altitude's real estate agent to sell or lease its two residential units. The Company advises that Altitude will begin delivering residential units on the lower floors in the next few months. Delivery of units on the upper floors including those subject to Kitco's offer to purchase is expected later in the year.
 - Any financing, sales or leases of these units will be subject to the prior approval of this Court.
 - To date, efforts by the Company to find financing to purchase the units have not been successful. The Monitor intends to meet with Altitude in the next few weeks and will provide an update in its next report to Court.

MOVEMENT IN CUSTOMER INVENTORY POOL

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

Kitco Metals Inc. Customer Inventory Pool Variation						
	June 8, 2011		December 31, 2012		March 31, 2013	
	Ounces	Value	Ounces	Value	Ounces	Value
	(in thousands)	(in \$ millions)	(in thousands)	(in \$ millions)	(in thousands)	(in \$ millions)
Gold	96	\$ 145.9	92	\$ 153.7	92	\$ 151.5
Silver	4,848	176.8	4,936	150.6	5,102	148.0
Platinum	6	11.7	7	10.2	6	10.2
Palladium	23	18.7	13	9.5	12	9.2
Rhodium	6	13.5	8	9.8	8	10.4
	4,979	\$ 366.6	5,056	\$ 333.8	5,220	\$ 329.3

25. In terms of ounces of precious metals, there is a slight increase in silver from the quarter ended December 31, 2012; however, the overall customer pool balance is relatively unchanged. The value of the pool holdings has decreased since December 31, 2012 driven largely by decreased prices for gold and silver.
26. Exhibit "2" attached hereto is a summary of the movement in all metals on a monthly basis since the commencement of the restructuring.

CLAIMS PROCESS

27. We refer to our Twelfth Report with respect to the most recent developments. There have been no further developments. We will provide further updates as necessary in future reports.

CUSTOMER DEPOSITS

28. Customer deposits which represent cash balances held by Kitco in segregated bank accounts on behalf of its customers, amount to \$46.9 million (vs. \$54.4 million as of December 31, 2012). As per the attached chart (Exhibit "3"), since the commencement of the restructuring proceedings, customer deposits have ranged from \$47 million (March 2013) 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

29. We refer to Exhibit "4" 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 March 31, 2013 (as reflected in Exhibit "4") 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.
30. In respect of the more material scrap metal positions, we comment as follows:
- a) Gold:
- From January 1, 2013 to March 31, 2013, Kitco purchased approximately 6,100 ounces of scrap gold and shipped approximately 5,500 ounces of scrap gold for processing, predominantly to the Royal Canadian Mint ("RCM"), resulting in a balance of scrap gold of approximately 3,300 ounces on March 31, 2013;
 - Since the commencement of the restructuring, scrap gold purchases have totaled approximately 5,500 transactions with an average of approximately 4 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 January 1, 2013 to March 31, 2013, Kitco purchased approximately 18,200 ounces of scrap silver and shipped approximately 55,800 ounces of silver for refining, resulting in a March 31, 2013 balance of scrap silver of approximately 20,000 ounces;
- Since the commencement of the restructuring, scrap silver purchases have totaled approximately 3,200 transactions with an average of 54 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

31. As reflected in previous Reports, Kitco's CAS program allows customers to store purchased physical metals on a segregated and allocated basis at a facility under the control of Kitco in Montreal, Quebec or at a third party storage facility (Garda). In terms of overall CAS positions held on behalf of its customers as at March 31, 2013, Kitco maintained ~7,300 ounces of gold for a reported value of \$11.9 million (vs. ~6,900 ounces as of December 31, 2012 and ~12,900 ounces as of June 7, 2011) and ~323,800 ounces of silver for a reported value of \$9.4 million (vs. ~292,400 ounces as of December 31, 2012 and ~198,000 ounces as of June 7, 2011).
32. Exhibit "5" attached hereto is a summary of the movement in the gold and silver CAS on a monthly basis.

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

33. We have been informed by Petitioner's tax counsel that they will provide a memo outlining current developments relating to the notices of assessment to be included with the Monitor's next Report.

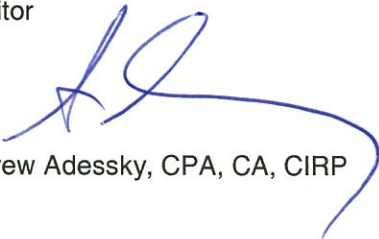
ACTIVITIES OF THE MONITOR

34. 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 marketing updates from Asgaard and the offer to purchase the commercial condo units;
- The Monitor has prepared and filed this Report;
- Other administrative and statutory matters relating to the Monitor's appointment.

Respectfully submitted at Montreal, this 10th day of May 2013.

Richter Advisory Group Inc.
(formerly RSM Richter Inc.)
Monitor



Andrew Adessky, CPA, CA, CIRP

Kitco Metals Inc.**Exhibit "1"****Comparative Cash Flow****For the Period: October 1, 2012 - March 31, 2013****(in millions \$CAD)****Unaudited**

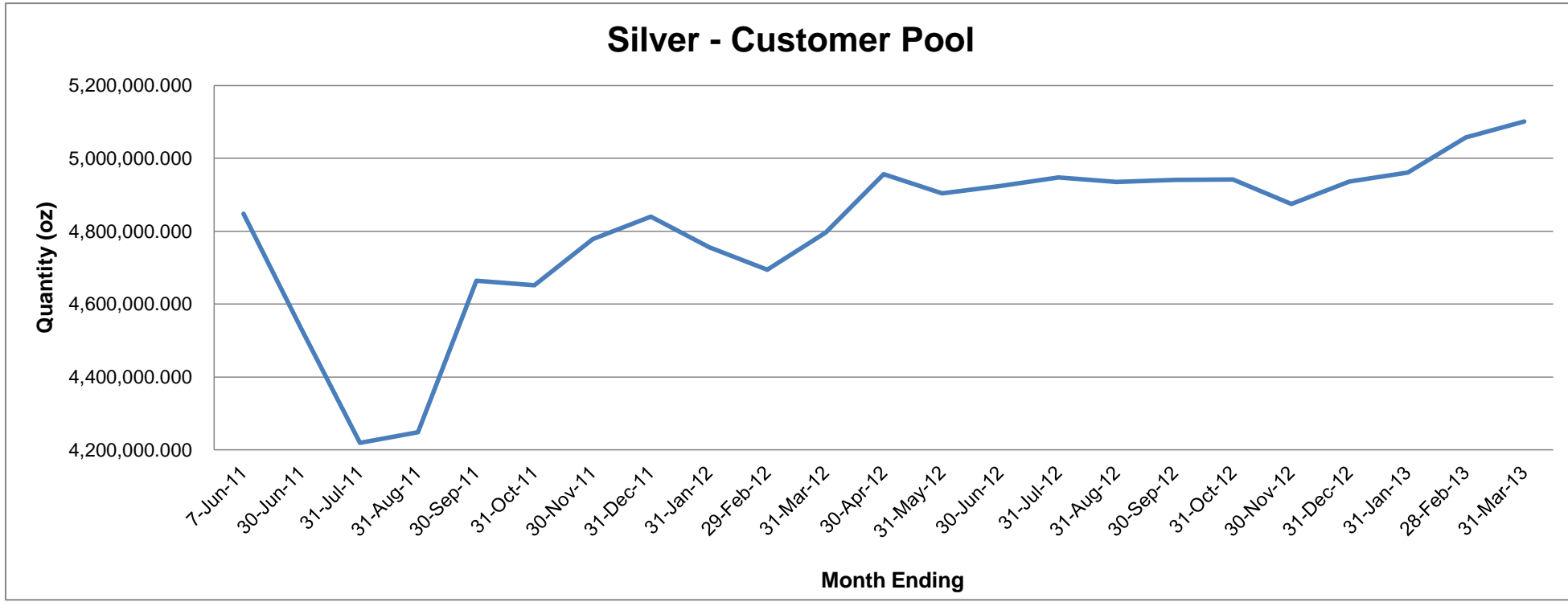
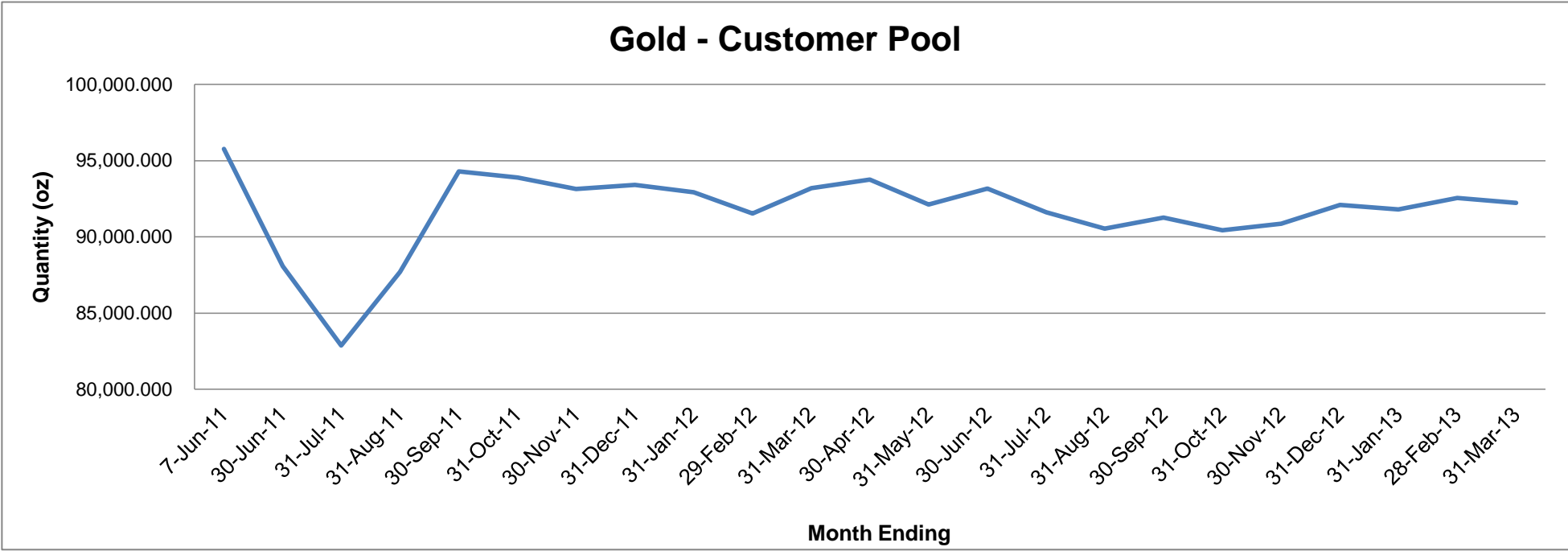
	Reported	Projected	Variance	
<u>Net Results from Operations</u>	\$ 6.8	\$ 8.4	\$ (1.6)	1
<u>Disbursements</u>				
Salary and Benefits	4.0	4.6	0.6	2
General and Administrative	1.7	3.7	2.0	3
Restructuring Costs / Other	0.9	1.1	0.2	
	6.6	9.4	2.8	
Net Cash Flow	0.2	(1.0)	1.2	
Opening Consolidated Bank Balance per Book	14.8	14.8	-	
Closing Consolidated Bank Balance per Book	\$ 15.0	\$ 13.8	\$ 1.2	4

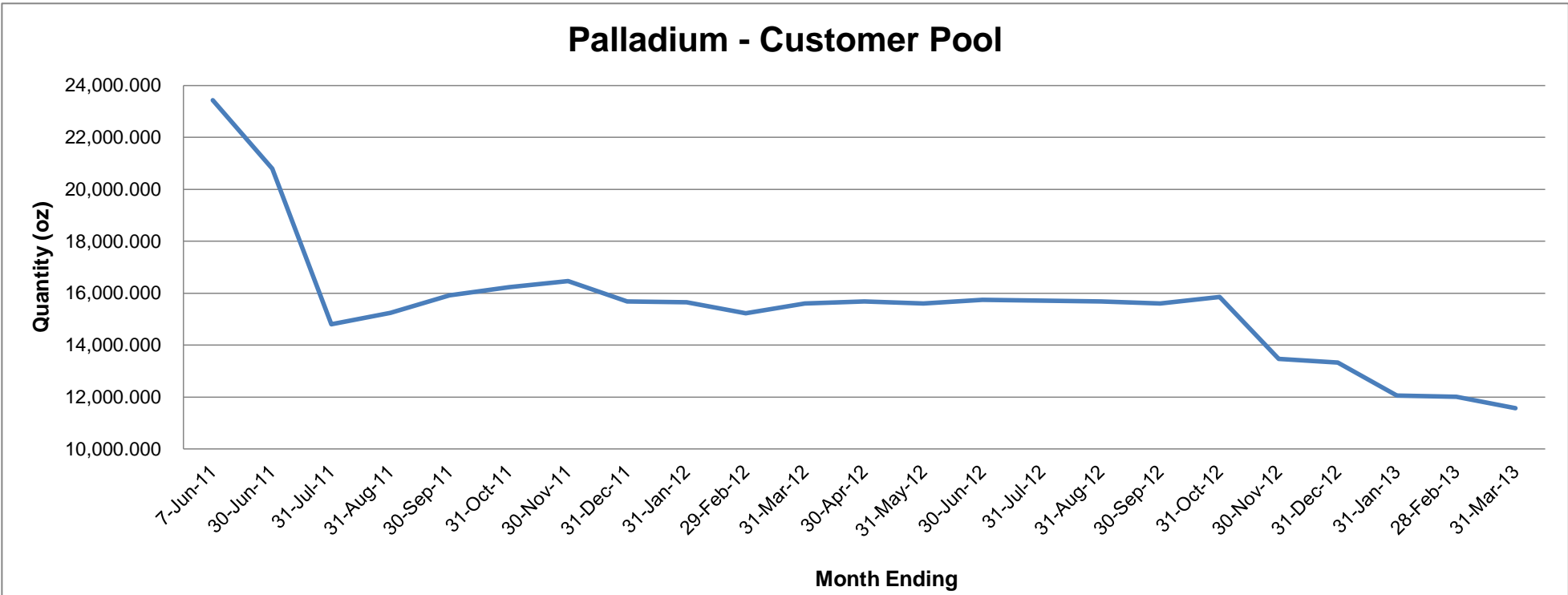
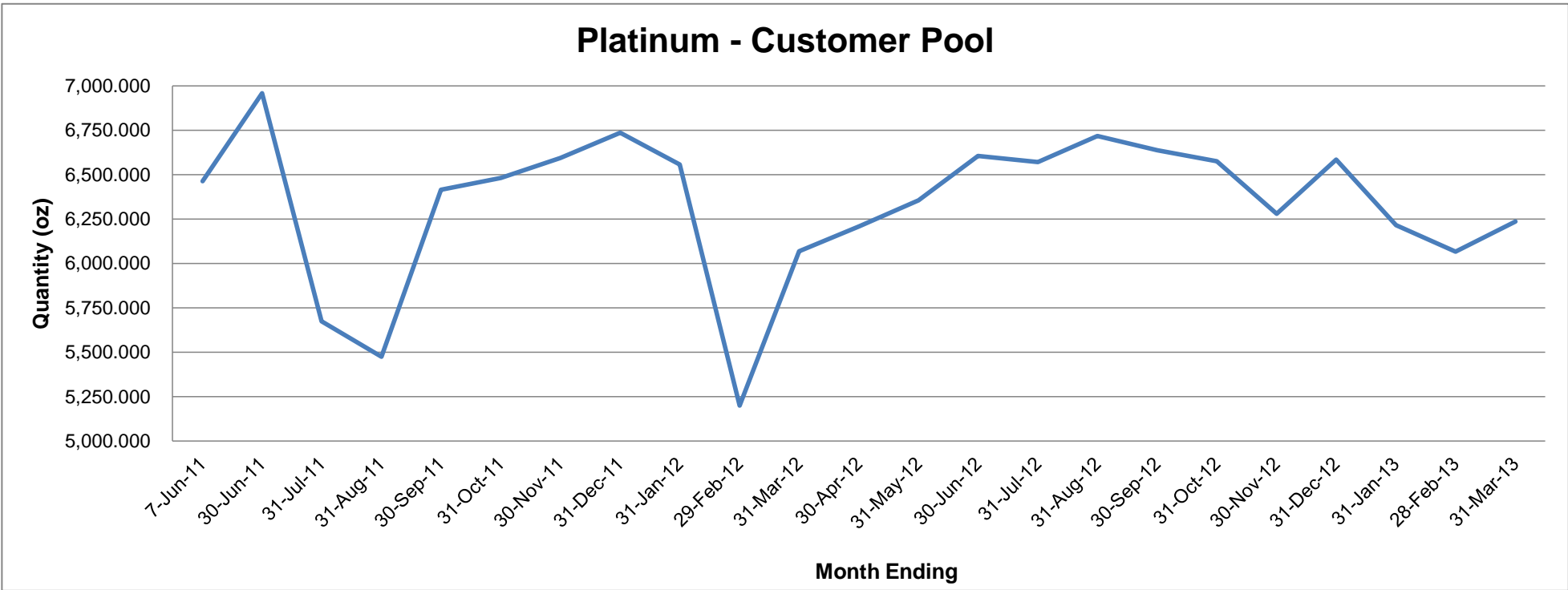
Note 1: Management attributes the unfavourable variance to lower than budgeted sales which were partially offset by higher gross margins, in addition to negative timing differences with respect working capital which may reverse in future periods.

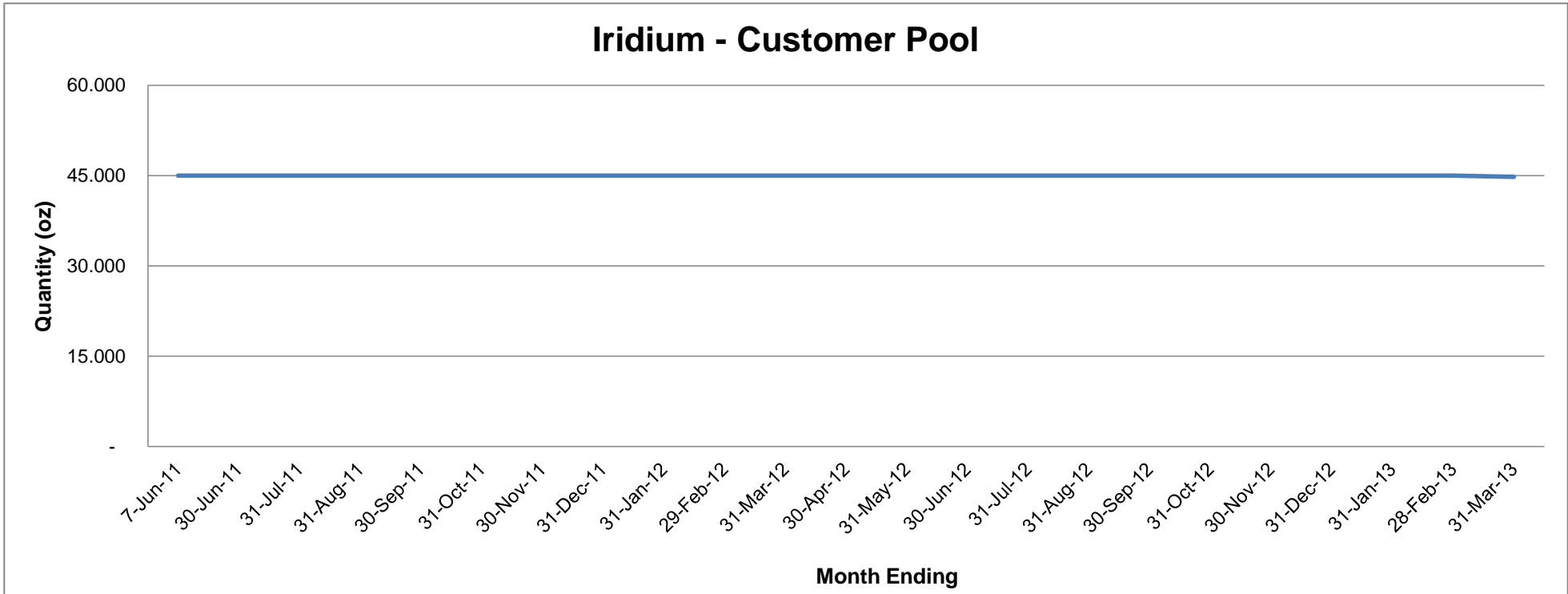
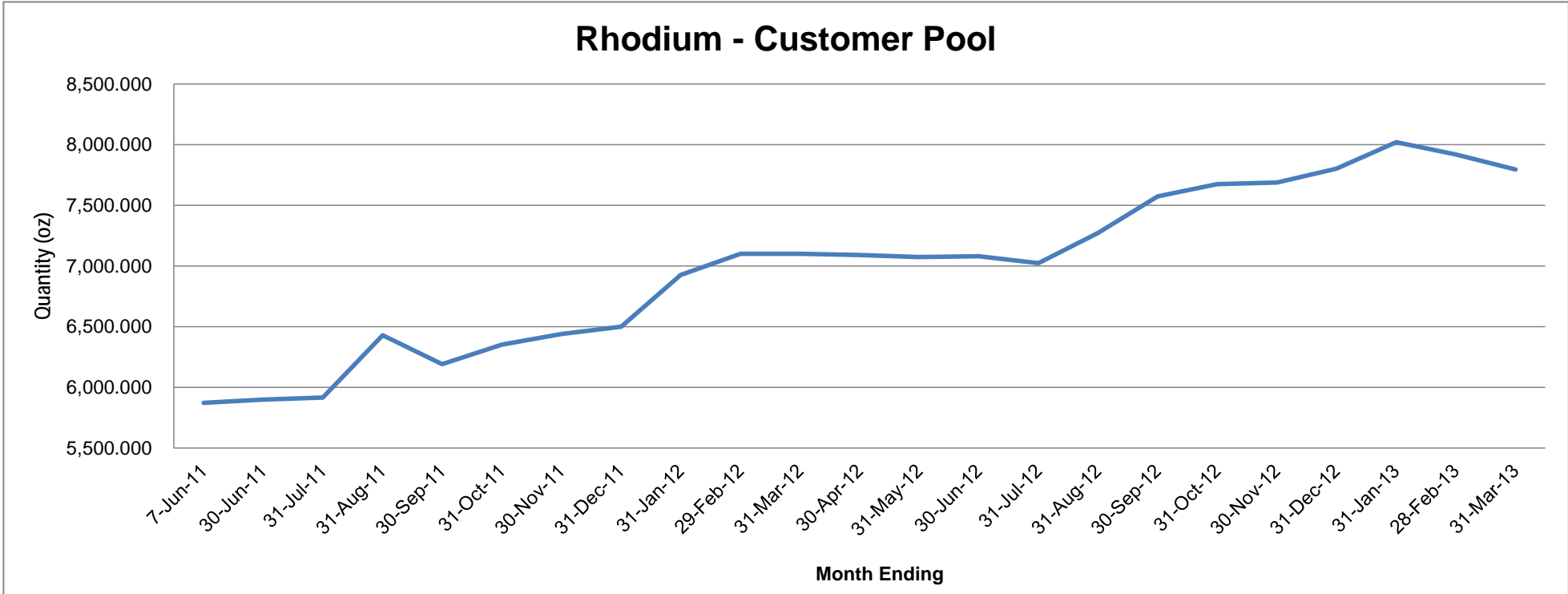
Note 2: Reported salary and benefits trended favourably compared to budget. A bonus of \$0.4 million, budgeted for in February 2013, did not become payable as targeted results for the calendar year 2012 were not achieved.

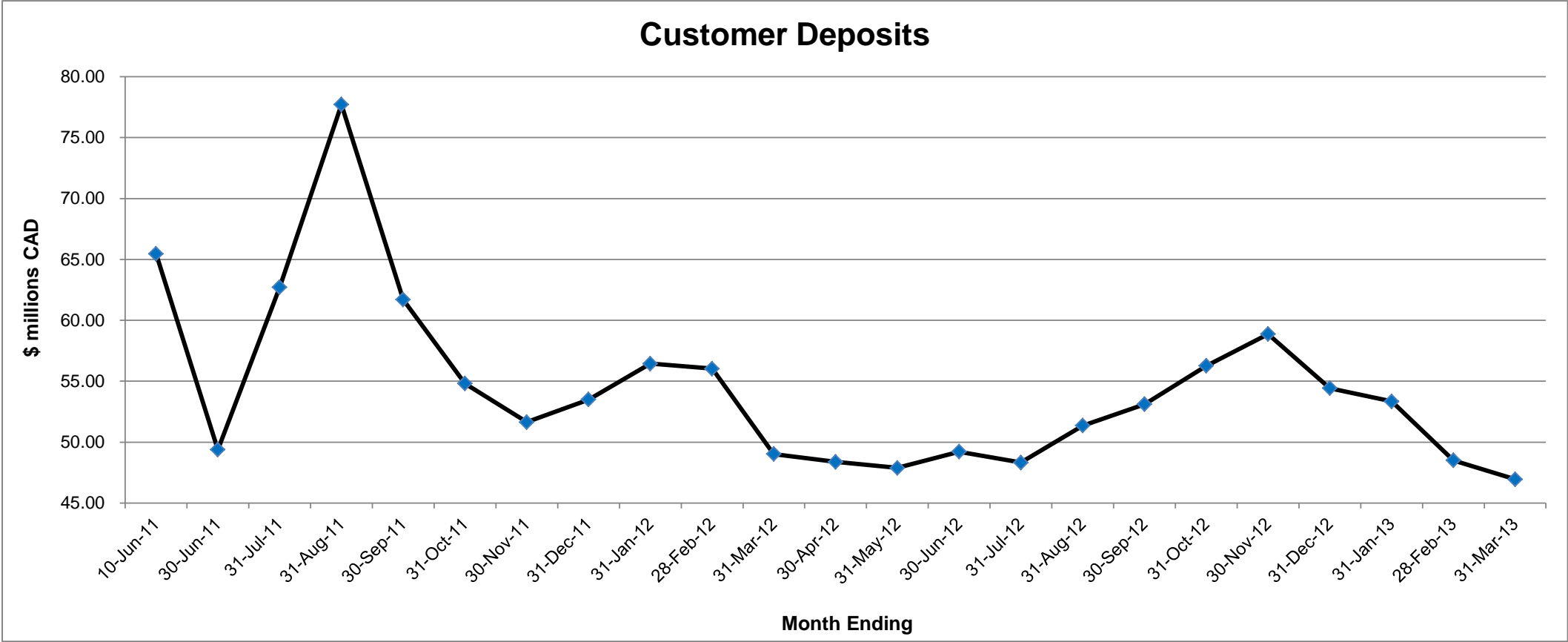
Note 3: Reported general and administrative trended favourably compared to budget as Kitco controls expenses.

Note 4: Closing consolidated bank balance includes \$0.5 million of cash on hand.









Kitco Metals Inc.
Summary of Scrap Transactions
For the period June 8, 2011 to March 31, 2013

Exhibit "4"

		Gold	
		Ounces	\$
		(in \$ millions)	
Beginning balance		2,623	
Purchase		24,185	
Sale		(91)	
Sent to refinery		(23,420)	
Ending balance		3,297	\$ 5.4

		Silver	
		Ounces	\$
		(in \$ millions)	
Beginning balance		101,633	
Purchase		170,579	
Sale		(3,412)	
Sent to refinery		(248,768)	
Ending balance		20,032	\$ 0.6

		Platinum	
		Ounces	\$
		(in \$ millions)	
Beginning balance		1,293	
Purchase		3,325	
Sale		(17)	
Sent to refinery		(4,058)	
Ending balance		544	\$ 0.9

		Palladium	
		Ounces	\$
		(in \$ millions)	
Beginning balance		266	
Purchase		171	
Sale		-	
Sent to refinery		(196)	
Ending balance		242	\$ 0.2

		Iridium	
		Ounces	\$
		(in \$ millions)	
Beginning balance		102	
Purchase		143	
Sale		-	
Sent to refinery		(186)	
Ending balance		60	\$ 0.1

		Rhodium	
		Ounces	\$
		(in \$ millions)	
Beginning balance		48	
Purchase		110	
Sale		-	
Sent to refinery		(107)	
Ending balance		51	\$ 0.1

Note 1: The value of the scrap metal as of March 31, 2013 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 March 31, 2013
Unaudited

Exhibit "5"

