



**NORTHERN SUPERIOR RESOURCES**  
**Northern Superior Resources Litigation vs. the Ontario Government:**  
**Are we really “Open for Business” in the Mineral Sector?**

**LAKEHEAD UNIVERSITY, FEBRUARY 10<sup>TH</sup>, 2016**

## **SAFE HARBOUR STATEMENT**

**This presentation includes certain “forward looking statements”. Where Northern Superior expresses an expectation or belief as to future events or results, including management plans and objectives, and projections of exploration results, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. While these statements represent our best current judgment, they are subject to risks and uncertainties that could cause actual results to vary, including the risk factors listed in Superior’s Annual Information Forms available on the SEDAR website [www.sedar.com](http://www.sedar.com). Superior does not assume the obligation to update any forward looking statements.**

## PRESENTATION

- ✓ **Who is Northern Superior Resources?**
  - **NSR's Approach to First Nation engagement**
- ✓ **Litigation**
  - **What went wrong?**
  - **Government response**
  - **Why litigation (?), key issues addressed**
- ✓ **Is Ontario Open for Business?**
  - **Ontario vs. Québec for exploration- a comparison based on NSR's experience; and**
  - **Provide suggestions for creating an environment to encourage and foster exploration.**





## WHO IS NSR?: Exploring for gold on the Canadian Shield



- ✓ Junior explorer **PRIMARILY** for Gold, Canadian Shield;
- ✓ Trades on the TSX-V: **SUP**;
- ✓ Exploration currently focussed on its Lac Surprise and Wapistan gold properties, Québec; and
- ✓ Requires partner(s) to advance the Company's 100% owned TPK, Croteau Est and Ville Marie properties.

## WHO IS NSR ? : Management

### ➤ Board

- ✓ Alan Moon (*Chairman. Audit; Compensation* )
- ✓ Arnold Klassen (*Audit\*; Corporate Governance and Nominating*)
- ✓ Wayne Livingstone (*Environment, Health, Safety and CSR\*; Corporate Governance and Nominating*)
- ✓ Fred Lecoq (*Corporate Governance and Nominating Committee\*, Audit*)
- ✓ John Pollesel (*Compensation; Environment, Health, Safety and CSR*)
- ✓ Thomas Morris (*Management*)

*\*Denotes Committee Chair*

### ➤ Management

- ✓ Thomas Morris PhD, FGAC, PGeo , ICD.D (President and CEO)
- ✓ Dan Rothberg (Corporate Secretary)



## WHO IS NSR (?): Managed Responsibly

*As of February 1st, 2016*

Share Price:	\$ 0.020
Market Cap:	\$ 3,791,559
Working Capital (approximate):	\$ 1,300,000
Debt:	None
Issued and Outstanding Shares:	188,654,889
Options Outstanding:	12,194,567
Warrants Outstanding:	0
Compensation Options Outstanding:	0
Fully Diluted:	200,849,456

SUP-TSX.V

A 2011  
**TSX Venture 50**  
Company

Northern Superior Resources was recognized as a TSX Venture 50® company in 2011. TSX Venture 50 is a trade-mark of TSX Inc. and is used under license.



Northern Superior Resources Inc.  
Awarded The Ontario Business  
Achievement Award, Icao Award  
For Corporate Governance, 2011.



Prospector of the Year - 2012

Progressive  
Aboriginal  
RELATIONS

**COMMITTED**

Canadian Council for  
Aboriginal Business



## WHO IS NSR?: Community Engagement

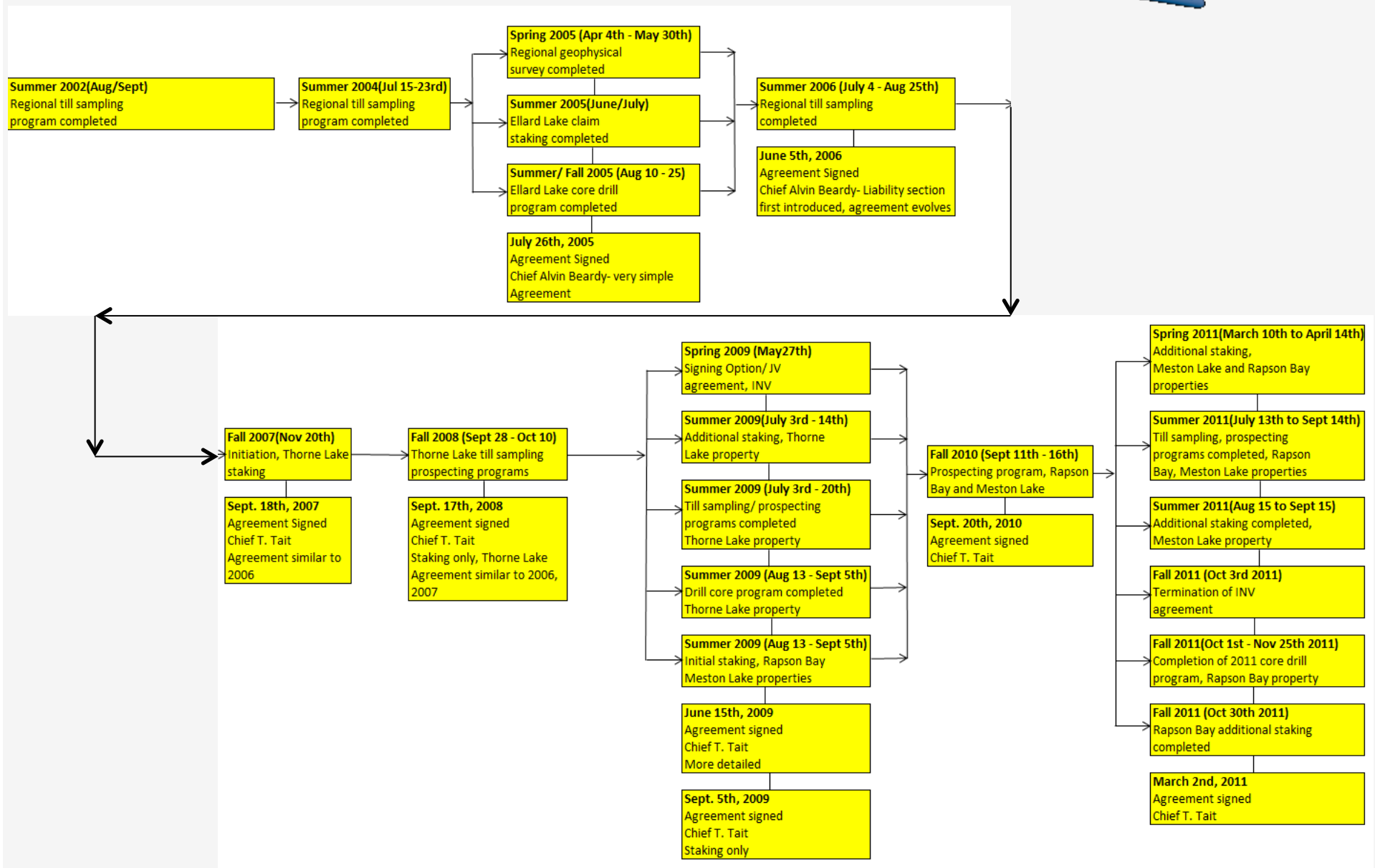
- ✓ Reduce fear, misunderstanding, and the risk of conflict through mutual exchange of information;
- ✓ Recognition of issues;
- ✓ Position the project within the community rather than upon it;
- ✓ Gain a “social license” (community support) to operate; and
- ✓ Meet the objectives for sustainable development.

❖ These basic principals have enable NSR  
to engage effectively with a number of  
communities:

- Exploration Agreements
- Early Economic benefit Agreements
- Pre-Development Agreements



# LITIGATION: Summary of Events, Sachigo Lake First Nation Engagement







## LITIGATION: Summary of Events, Result of All This Effort?

Northern Superior Resources Inc. Intersects 32.6g/t Gold over 1.0 m, Rapson Bay Gold Property, Northwestern Ontario

*Sudbury, Ontario, January 23, 2012.* Northern Superior Resources Inc. ("Northern" or the "Company") is

Northern Superior Resources Inc. Intersects Mineralized Porphyry System, (0.83 g/t Gold; 3.07 g/t Silver; 0.55 % Copper; 0.028 % Molybdenum over 52.5 m), Rapson Bay, Northwestern Ontario

*Sudbury, Ontario, January 11, 2012.* Northern Superior Resources Inc. ("Northern" or the "Company") is

### Northern Superior Resources Inc. Reacquires 100% of its Thorne Lake Gold Property

Sudbury, Ontario (November 17, 2011) Northern Superior Resources Inc. ("Northern Superior" or the

Northern Superior Resources Inc. Intersects Gold-Bearing Shear Zones, **Thorne Lake Gold Property**, Northwestern Ontario.

**Sudbury, Ontario (October 29<sup>th</sup>, 2009)** Northern Superior Resources Inc. ("Northern Superior" or the

### FOUR GOLD SHOWINGS DISCOVERED ON THORNE LAKE PROPERTY, NORTHWESTERN ONTARIO, NORTHERN SUPERIOR INITIATES DRILL PROGRAM

Sudbury, Ontario (August 24th, 2009): Northern Superior Resources Inc. ("Northern Superior" or the

Northern Superior Resources Inc. Explores for Source of Gold Grain-In-Till Dispersal Trains, Thorne Lake Property, Northwestern Ontario

Sudbury, Ontario (July 8th, 2009): Northern Superior Resources Inc. ("Northern Superior" or the

## LITIGATION, Summary of Events: So, What Went Wrong?

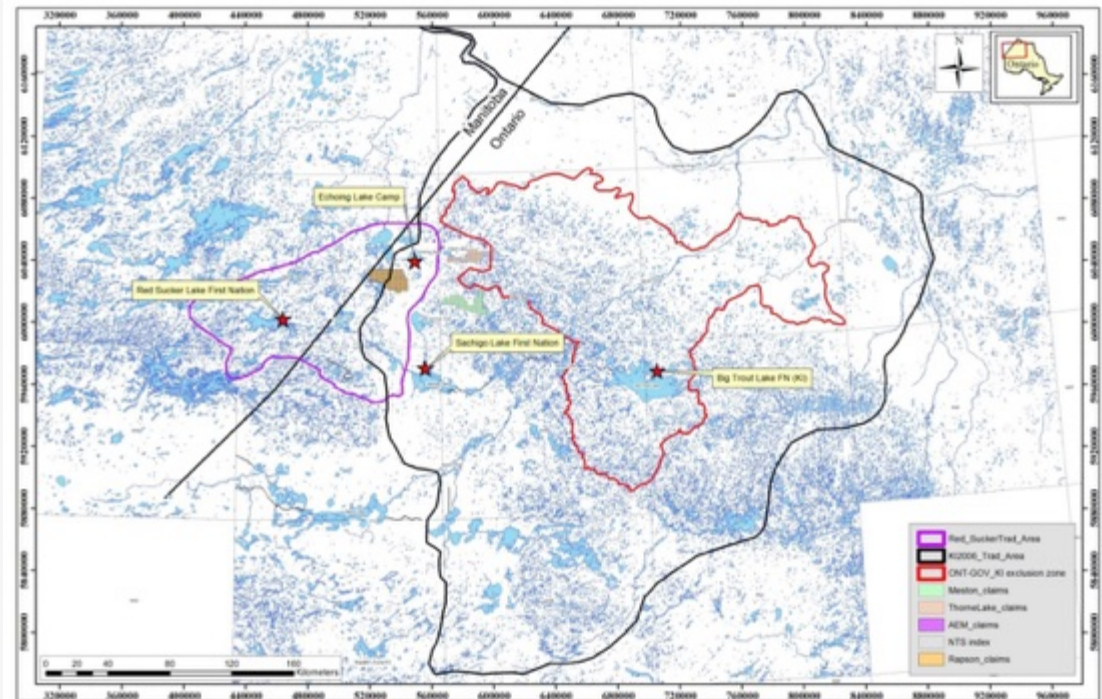


- NSR had worked well with SLFN since 2005 under a series of Exploration Agreements, the community having done well by these.
- NSR had breakthrough discoveries on the Thorne Lake property (2009), the Rapson Bay property (2011):
  - ✓ Note: NSR purchased back (\$500,000) the rights to the Thorne Lake property in 2011;
  - ✓ From these discoveries, NSR had initiated aggressive marketing, achieving positive movement in the company's share price, discussions regarding a financing, all despite a deteriorating market (2011); and
  - ✓ NSR engagement with 3 other companies regarding possible option agreements.
- Overall, 2011 was regarded as a very successful exploration campaign by NSR and SLFN.
- Then in 2012, while negotiating another Exploration Agreement with SLFN, a demand made by the Community in writing for a 24% administration fee and use of an inadequate aircraft;
  - Because we refused both, informed by letter that NSR would never be allowed back;
  - NSR again engaged the Government; and
  - As NSR could no longer move this project forward all momentum on the properties and opportunity for NSR shareholders ceased.

## LITIGATION: Summary of Events- Then the Exclusion Zone...



- As this was all happening, Ontario then imposed an exclusion zone around the Community of KI, without consulting anyone- KI, FN, Industry, other Ministries
  - Two of NSR's properties conveniently skirted- boundary = FN territory? Watershed?
  - Two problems created for NSR:
- 1) Ontario consistently states that there is only one community involved... in fact, with the placement of this exclusion zone, both KI and Red Sucker informed NSR that it was no longer welcome to work in this area- 3 communities
- 2) Cut NSR's exploration potential at Thorne, killed all 3 option opportunities
- NSR was never consulted, reasons for not doing so:
  - a) Too many parties to consult
  - b) Fed- up determining boundaries between communities
  - c) Concerned with how industry might react- Staking/ Anger
- This exclusion zone is 23,000 square km, the size of 3x PEI's, an area and process never adequately debated in the legislature and enacted on a Friday evening.



## LITIGATION: Summary of Events- The Governments Response...



**“We don’t understand their problem, we have offered to mediate a settlement with the local community and to have the Company submit an exploration proposal through our plan and permit process under the new mining act”**

**Really (!?): The damage was done.**

- 1) Our trust and confidence in being able to work with the community was broken, never mind Ontario**
  - **Ontario’s refusal to make certain documents public throughout the case which forced us then to do many FOI requests up to and including the trial (some of which remain unfulfilled today). So much for transparency and accountability- what is it that Ontario is hiding?**
  - **Now Ontario offers to mediate?**
    - ✓ **Up to this point, the only funding or helped offered by the Ontario for consultation to Sachigo (never mind NSR), was zero, other than a lonely fax machine provided to Sachigo**
    - ✓ **MNDN had no one looking after aboriginal relations till 2008 and then it was an office of 3 people ...for the whole province... Ontario had been directed by the Supreme Court of Canada in 2006 that they were responsible for FN consultation**
- 2) NSR cannot reach back and capture the momentum we had with a robust stock price, interested financial community and interested option partners... that is now all gone;**
- 3) As early as 2009 NSR had asked Ontario what they were going to do to consult in relation to NSR, MNMD didn’t even bother to respond**



## LITIGATION: Summary of Events- The Governments Response...



- 4) There is nothing in the new mining act that prevents the First Nations from doing exactly the same thing all over again- admitted by a senior bureaucrat in trial
- 5) This was the only solution ever offered, to start all over again, and this after NSR was told by not 1 but 3 First Nation to take a hike- Ontario has never acknowledged this reality
- 6) Nothing in the new mining act that protects us from Ontario from stepping in again and remove land as they had done previously if a situation with the First Nation becomes too difficult- wasting more of NSR's time and money
  - NOTE: Ontario is still (?) negotiating with KI re: the lifting of that exclusion zone- 4 years later....;
- 7) Ontario had no idea, and still has no idea, about the scope of the traditional territory claims of different FN's in the area....they did not tell NSR this when they issued NSR the claims.
  - Ontario also didn't tell NSR that FN claims overlapped, that they had no system for tracking them, and that KI had been asserting treaty rights in the Thorne/Meston areas for years before NSR ever staked a claim, KI having communicated clearly to Ontario that it wanted no part of any mineral exploration- never communicated to NSR by Ontario on issuance of the claims
- 8) Ontario had no idea what area KI wanted withdrawn.
  - Remarkably, the reason Ontario gave in Court for the area withdrawn was the dispute with GLR, a dispute that was over an area 700 times smaller than the land mass actually withdrawn

## LITIGATION- Summary of Events: The Governments Response...



- 9) The utter failure on the part of Ontario to do any consultation with any FN in the area of the claims in relation to NSR's work- despite the clear direction from the Supreme Court of Canada that it was Ontario's duty to consult with FN- a direction given in 2006
- ✓ The consultation was downloaded to NSR (industry), Ontario never communicated this to NSR- that the responsibility of consultation had been passed to NSR
  - ✓ Ontario then repeated to anyone who was listening, at every chance they get, that the Ontario takes their duty to consult "seriously" (including in statements by the Minister in the legislature – which a senior bureaucrat explained to the Judge were mere "political" statements....meaning what?)
- The bottom line, the financial and human resources to "consult" have never been adequately applied by the Ontario Government

## LITIGATION: Why?

- Our Statement of Claim and Revised Statement of Claim, both public documents and are posted on our website, are very clear and very detailed:
- A Statement of Defence from the Ontario Government has been filed, again public record, posted on NSR's website....
- NSR is working to put selected transcripts of testimony from various Government witnesses, and the various property evaluation reports, on the Company's website
  - ✓ When this information is ready (shortly), NSR will issue a press release
- NSR will be featuring an article on its litigation against the Ontario Government in a prominent newspaper, to be released just prior to PDAC
- Are we the only ones to question?
  - ✓ Comments from Cliffs
  - ✓ Other lawsuits launched
  - ✓ Auditor Generals Report (recent, after the fact)



## LITIGATION: Based on Three Key Issues- 1/3

### ➤ Claim based on Mining Act

- ✓ “Free entry system” in Ontario Mining Act... *it is anything but...*
- ✓ Mining Act is silent regarding aboriginal rights or consultation- *obvious potential for conflict...*
- ✓ Supreme Court of Canada mandates Crown to do prior consultation with Aboriginal Communities affected- *directed to do so in 2006 and allegedly none done here*
- ✓ NSR invests millions of dollars on the strength of mining rights granted to it under the Act and in reliance on Crown meeting its legal obligations, *which it had allegedly not done...*
- ✓ NSR does consultation as best it can *with no guidance or assistance from Ontario...*
- ✓ FN’s in time change their mind about mineral exploration in their territory and refuse NSR further entry for reasons unrelated to NSR’s work or approach but rather as a way to take a political stand on their ongoing struggle to gain more control over their traditional lands from governments

❖ Question for the court: *Who should bear the loss that results from this?  
The Government or the publicly traded exploration company caught in  
the middle of a conflict it did not create?*



## LITIGATION: Three Key Issues- 2/3



### ➤ KI Land Withdrawal

- ✓ NSR also seeks damages in connection with a related ongoing development in Ontario:
  - Negative First Nation relations brewing for a long time
- ✓ Nothing to do with NSR but into which NSR was carelessly swept
- ✓ The sudden and unprecedented withdrawal by Ontario (under old section 35 of the Act, a one sentence provision) of a huge swath of land from all exploration and mining activity in the area of the NSR claims
- ✓ Withdrawal done at 8pm on a Friday evening on the eve of the PDAC.
  - Ostensibly in response to the long- standing issue involving KI and in particular in response to the threats of an exploration company- Gods Lake Resources
- ✓ Withdrawal deliberately skirted around key exploration areas for NSR, cutting NSR off from a clear extension of its exploration play at Thorne Lake
- ✓ Ontario consulted no one here- not any company affected, not the Company it was trying to buy piece with; not any First Nation; not MAA, not MNR; *certainly not NSR*
- ✓ Withdrawal done by Ontario on the basis of incomplete mapping information (i.e. which FN had laid claim to what areas)
  - Appears that Ontario stampeded into acting by fear of bad press at PDAC and threats of violence by God's Lake Resources...
- ✓ The withdrawal remains in place today and left everyone unhappy- even KI

❖ Question for the Court: *Is whether Ontario owed duty to NSR in these circumstances*

## LITIGATION: Three Key Issues- 3/3

### ➤ Valuation

- ✓ Assuming Government is liable to NSR, what is the proper way to assign a value to the Company's loss?
- ✓ NSR argues it lost its three assets... considering in particular their potential
- ✓ Ontario argues the loss is really only the sunk costs to the day the Company lost access to its claims

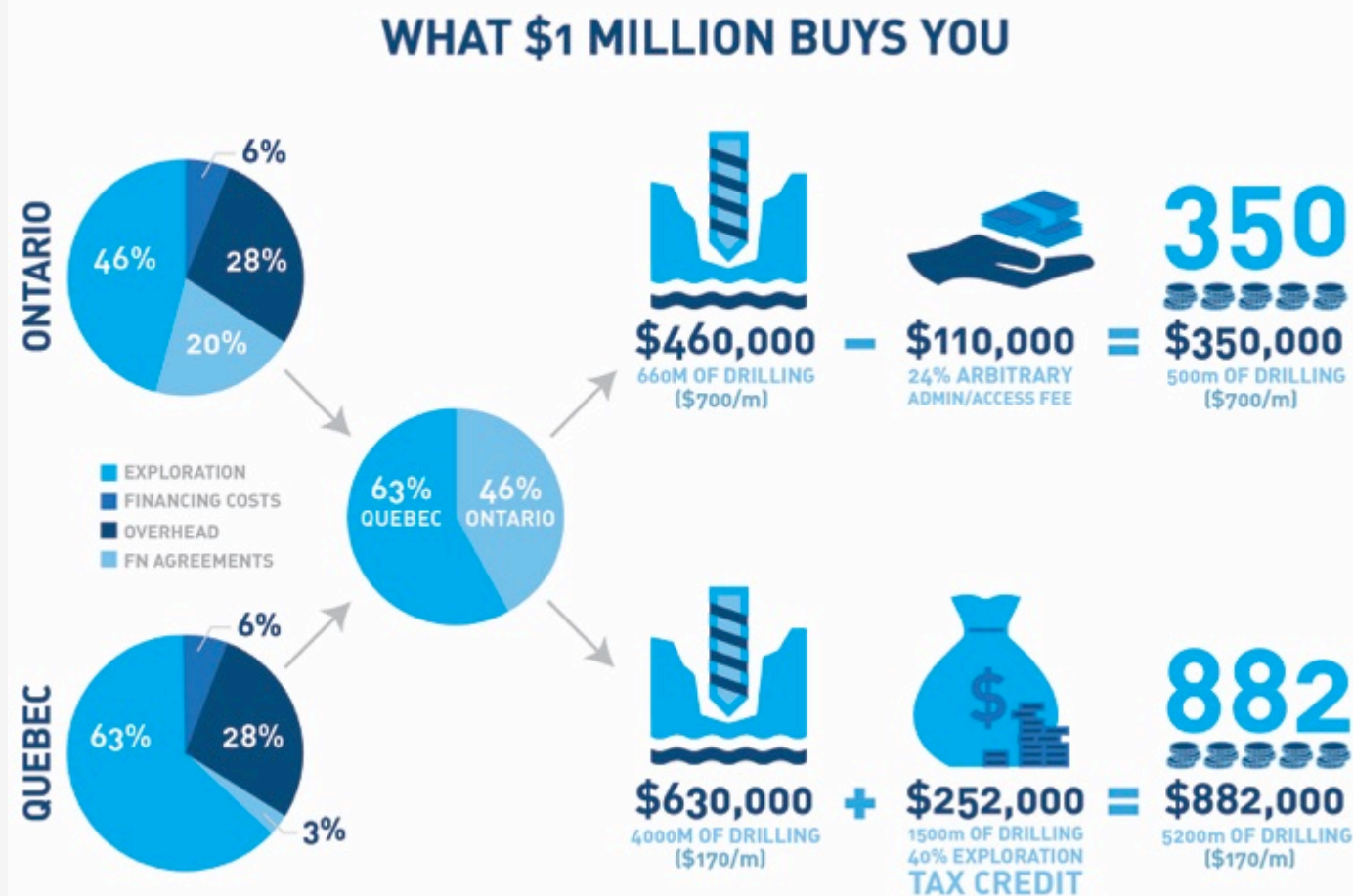
### ❖ Lots of analysis by leading experts

- ✓ Independent Consultant:
  - i) Geological Risk Method
  - \$110 million
- ✓ RPA:
  - i) Comparable Transaction Analysis (Market Approach)
  - ii) Option Agreement Terms Approach (Market Approach)
  - ii) Appraised Value Method (Cost Approach)
  - \$6.1 to \$7.6 million
- ✓ NERA Economic Consulting
  - i) Directly challenged RPA methodology
  - ii) Reliance Damages (\$12 million)
  - iii) Expectation Damages (\$12 to \$17 million)
  - iv) Decline Market Capitalization (\$12 to \$47 million)
  - v) Application of Government methodology (\$57 million)

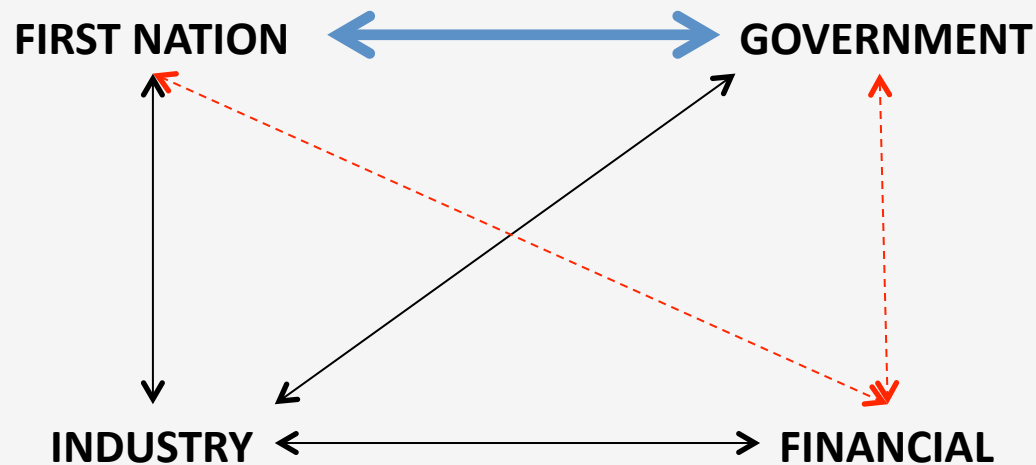
## WHAT TO DO (?): Sharing NSR's Experience- Northwestern Ontario vs. Québec



- ✓ Cost of First Nation Engagement
- ✓ Cost of exploration- infrastructure vs. none
- ✓ Quebec tax rebate, First Nation demands



## WHAT TO DO (?): Relationships



- **Corporate Social Responsibility vs. Corporate Social Opportunity**
  - ✓ What is the difference?
  - ✓ Why is it important?



## WHAT TO DO (?): Relationships Complicated



### FIRST NATION:

Chiefs of Ontario  
Provincial Territorial Organizations  
Individual Communities (133)

### GOVERNMENT:

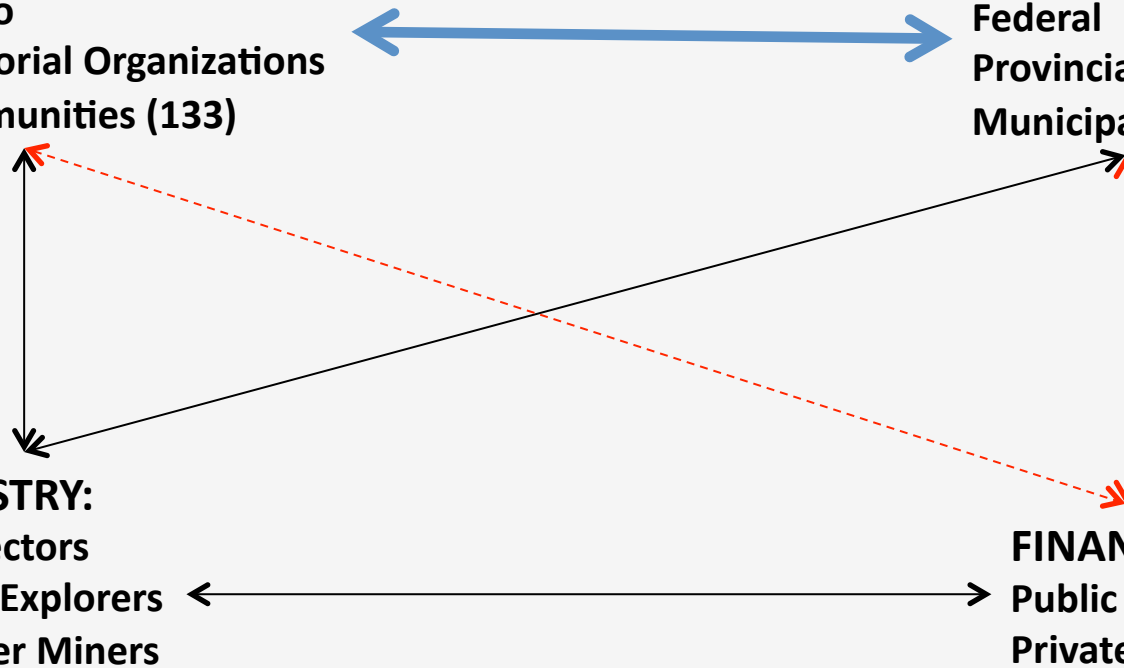
Federal  
Provincial  
Municipal

### INDUSTRY:

Prospectors  
Junior Explorers  
Mid-tier Miners  
Majors

### FINANCIAL:

Public  
Private



## WHAT TO DO (?): Financial Institutions



### **PUBLIC TSX, TSX-V etc...**

- **These people are in the business of making money, and many come in and out of the commodities market as opportunity presents itself, disappears...**
  - ✓ **In other words, there is never a long term commitment**
  - ✓ **There is always an opportunity to make money elsewhere (Mustang example)**
  - ✓ **Currently, many of the boutique financial institutions (such as Wellington West) that use to support the exploration sector have moved on.**

### **PRIVATE (private placements- individuals to majors):**

- **There can be more of a commitment from this source of funding but often the placement is made with a specific goal and time line in place.**
  - ✓ **The investment climate can change very quickly and with little warning (Rainy River/ Chalice)**

### **DUE DILIGENCE:**

- **Individuals making the investment need to be more diligent in what they are investing in**
  - ✓ **Easy money (?), rarely, which may explain many of the failures in exploration over the last number of years**
  - ✓ **Are there FN agreements in place (?), something called patience...**

## WHAT TO DO (?): Government



- ✓ **What really is the responsibility of Government (?)- what do they do?**
- ✓ **These people are suppose to set the rules, take the lead... not download that responsibility to others!**
- ✓ **Community Development**
  - **Responsible for the communities, and this is where the dialogue needs to start**
  - **Basic municipal services (Potable Running Water), services that we take for granted**
  - **Training to ensure effective engagement... corporate governance principles, business practices...**
    - **Communities need to have the capacity to engage, they need the initial investment**
- ✓ **Government has a huge credibility problem, and as such, have created a vacuum for a lot of self serving “consultants” to fill...**
  - **Government must re-establish their credibility, they must become the “trusted” authority**
  - **Communities deserve to understand the truth about how the industry works, the value of it to society generally, and First Nation specifically, and the rules and regs currently emplaced to control industry**

## WHAT TO DO (?): First Nation



### ✓ Sheer number of First Nation communities

- Respect uniqueness of each community, but First Nation need to organize under a set of common principles and one voice
- Need to sort out how to manage overlapping territories
- Understanding the limitations of the industry

### ✓ Corporate Social Opportunity

- Really need financial help laying the foundation- this has to come from Government
- Really understand the industry, do set expectations against the reality of what each stage of exploration and mining is capable of doing for First Nation communities... this is critical
- Understand the track record of the company and individuals who wish to engage, particularly publicly traded companies.... by law they have to be transparent... take full advantage of that
- Understand that if you really want this activity, you have to place yourselves competitively against other political jurisdictions throughout the world that really want this activity, and have set themselves up to attract this investment



## **WHAT TO DO (?): Government and First Nation**

- **The most important relationship to exploration and mining in this Province is between First Nation and Government**
  - ✓ They control access
  - ✓ They establish and control the exploration and mining environment
    - ❖ Through establishing the legal framework through which all components of the process must work
  - ✓ If they get this correct, they make it easy for people like me to understand the level of risk I am going to have to make, and from this I can make a business decision on whether I come or not
  - ✓ If they get this wrong, and so far they are getting it terribly wrong, it makes it easy for industry to go elsewhere.
- **“Regional Framework Agreement” (Spring 2014)**
  - ✓ Where are we now with this process?
  - ✓ Time and cost of negotiation
  - ✓ Appreciation for what “Meaningful Consultation” is all about
  - ✓ Industry?
- **Perhaps if FN and Government turned their attention to understanding the industry first, this might set a common ground for all Government to focus on developing a common strategy to attract and sustain the exploration and mining industry.**

## WHAT TO DO (?): The Industry; Exploration and Mining Sequence

- The most important component is industry- without it, there is no opportunity
- Early stage of grassroots exploration
  - ✓ Very high risk, very unstable
  - ✓ Prospectors, junior explorers, mid-tiers, majors



- Advance Exploration and Mining Stages
  - ✓ Less risk, more stability
  - ✓ Mid-tier and majors



- To get to the mine you have to have exploration to discover something worth mining, AND exploration is a very different animal with very different needs

## WHAT TO DO (?): The Industry; Mining



### ➤ Mining

- ✓ Perceived as very conservative, stable, stoic etc..., like someone having consumed a glass of starch...
- ✓ Incurs huge debt to bring a mine into production...
  - ❖ Guess what, the banks and lawyers get paid first... they negate their risk asap... but it can take a long time to pay back these people first
- ✓ Mining is vulnerable to a host of events, from geology to markets to...
  - ❖ The need to nurture, in order to maximize the opportunity
  - ❖ Once a mine is opened, it is going to close
- ✓ Nonetheless, a mine does have the potential to generate a revenue stream, and if successful, there is the opportunity to allocate dollars to other activities such as community engagement
  - ❖ Qualified and dedicated people who can engage FN on a full time basis

## WHAT TO DO (?): The Industry; Exploration



“Like trying to control a herd of squirrels on crack, let loose in a peanut butter factory”

➤ **Early exploration is:**

- ✓ **High risk**- in terms of discovery, intellectual investment, financial investment
- ✓ **Very mobile**- not constrained by geography
- ✓ **Episodic, and transient**- driven by markets, commodity interest
- ✓ **Competitive**- very, as such, we are extremely vulnerable, we tend to really hurt ourselves
- ✓ **Confidential BUT Transparent OR Not**- Can result in very confusing behavior
- ✓ **Timing**- flow- through financing, shareholders seeking quick return on investment
- ✓ **Costly**- no income generated, capital raised on financial markets or privately, opportunity finite

➤ **As such:**

- ✓ Early exploration is **unpredictable and is absolutely results- driven**
- ✓ Early exploration is **extremely** vulnerable to negativity and uncertainty
- ✓ Early exploration **seeks out** politically stable environments, certainty in law, streamlined engagement

➤ **Early exploration needs:** a) over- site,

b) a single, qualified, independent voice promoting the needs of this industry

## OPEN FOR BUSINESS?

- Not until all RISKS involved, BY ALL COMPONENTS, with exploration, mining and closure processes are understood, properly allocated and administered, will an “OPPORTUNITY” truly present itself for this Province to proclaim it is “Open for Business”
- This has no hope of success unless we are all open and honest about the issues we are facing, being respectful and truthful towards one another over our weaknesses and strengths, working with one another to build on those strengths
- Leadership must come from First Nation, Provincial and Federal Governments to set the environment to attract and sustain industry, then regulate it in a fair, smart and streamlined manner
  - Reliance on industry to lead and fund this, is a pipe dream, it will go elsewhere

**Thank-you  
Meegwetch**