



The Mining and Lands Commissioner Le Commissaire aux mines et aux terres

File No. MA 038-99

L. Kamerman)
Mining and Lands Commissioner)

Tuesday, the 20th day
of March, 2001.

THE MINING ACT

IN THE MATTER OF

Mining Claims L-1225677 and 1226882, both recorded in the names of Glenn Walter Bray, as to a 32% interest, Sharon Adelia Cotton, as to a 24% interest, Fred Ross Swain, as to a 20% interest, 903573 Ontario Limited, as to a 16% interest and Margaret Kaye Montgomery, as to an 8% interest, situate in the Township of Van Hise, in the Larder Lake Mining Division, hereinafter referred to as the "Mining Claims Drilled by Johnson";

AND IN THE MATTER OF

Mining Claims L-1076976, 1221753, 1223175, 1223921, 1223939, 1223942, 1224210, 1224235, 1224237 to 1224239, both inclusive, 1224293 to 1224295, both inclusive, 1227201 and 1238906, situate in the Township of Milner; and 1207053, 1223905, 1223906, 1223932, 1224216 and 1224217, and 1238902 to 1238905, both inclusive, situate in the Township of Van Hise, in the Larder Lake Mining Division, recorded in the name of Lake Superior Resources Corporation, hereinafter referred to as the "Superior Mining Claims";

(Amended March 20, 2001)

AND IN THE MATTER OF

Mining Claims L-1225672 situate in the Township of Milner; and 1225673 to 1225676, both inclusive, 1225678, 1226881, 1227025, 1227027 to 1227029, both inclusive, 1227048, 1227049, 1227199, 1227255 and 1234970, situate in the Township of Van Hise, in the Larder Lake Mining Division, recorded in the names of Glenn Walter Bray, as to a 32% interest, Sharon Adelia Cotton, as to a 24% interest, Fred Ross Swain, as to a 20% interest, 903573 Ontario Limited, as to a 16% interest and Margaret Kaye Montgomery, as to an 8% interest, hereinafter referred to as the "Swain Mining Claims";

AND IN THE MATTER OF

A Joint Venture Agreement between Randsburg International Gold Corporation and Lake Superior Resources Corporation involving lands in Milner and Van Hise Townships and alleged to include the Mining Claims;

B E T W E E N:

W. JOHNSON MINING AND OIL FIELD SERVICES LTD.
Applicant

- and -

RANDBURG INTERNATIONAL GOLD CORPORATION and
LAKE SUPERIOR RESOURCES CORPORATION
Respondents of the First Part

- and -

GLENN WALTER BRAY, SHARON ADELIA COTTON,
FRED ROSS SWAIN, 903573 ONTARIO LIMITED and
MARGARET KAYE MONTGOMERY
Respondents of the Second Part

AND IN THE MATTER OF

An agreement dated the 16th day of July, 1999, between Randsburg International Gold Corporation, as company and W. Johnson Mining and Oil Field Services Ltd. as contractor for drilling and other services on lands in Milner and Van Hise Townships and alleged to be on the Mining Claims;

AND IN THE MATTER OF

An application under section 69 of the **Mining Act** for the vesting of ownership of the Mining Claims Drilled by Johnson from the Respondents of the Second Part, Bray, Cotton, Swain, 903573 Ontario Limited and Montgomery and a vesting of the interest in the Mining Claims Drilled by Johnson, the Superior Mining Claims and the Swain Mining Claims from the Respondents of the First Part, Randsburg International Gold Corporation and Lake Superior Resources Corporation, to the Applicant, by reason of default in payment for work performed by the said Applicant and such other relief as the tribunal deems just.

VESTING ORDER

WHEREAS an Interlocutory Judgment was issued by this tribunal on the 6th day of December, 2000 and a Supplementary Order was issued on the 13th day of February, 2001;

AND WHEREAS on the 15th day of March, 2001, the tribunal was informed by Mr. Kenneth Fitz, counsel for the applicant, that the money or money and shares declared owing by Randsburg International Gold Corporation and Lake Superior Resources Corporation had not been paid by either of the Respondents of the First Part;

UPON reading the materials filed in support of the application and the Vesting Order and hearing from the parties;

1. **THIS TRIBUNAL ORDERS** that the application pursuant to section 69 of the **Mining Act** be and is hereby granted and that an undivided 15 percent interest in the Mining Claims be transferred to the Applicant, W. Johnson Mining and Oil Services Ltd. as follows:

- (a) in the Mining Claims Drilled by Johnson and the Swain Mining Claims, 15 percent to be transferred in proportion to the interests of the current registered holders, namely
 - (i) 4.8 percent transferred to Johnson from the interest of Glenn Walter Bray, resulting in 27.2 percent remaining;
 - (ii) 3.6 percent transferred to Johnson from the interest of Sharon Adelia Cotton, resulting in 20.4 percent remaining;
 - (iii) 3 percent transferred to Johnson from the interest of Fred Ross Swain, resulting in 17 percent remaining;
 - (iv) 2.4 percent transferred to Johnson from the interest of 903573 Ontario Limited, resulting in 13.6 percent remaining;
 - (v) 1.2 percent transferred to Johnson from the interest of Margaret Kaye Montgomery, resulting in 6.8 percent remaining; and
 - (vi) in the Lake Superior Mining Claims, 15 percent to be transferred from Lake Superior to Johnson.

2. **THIS TRIBUNAL FURTHER ORDERS** that the aforementioned interest ordered transferred with respect to the Mining Claims Drilled by Johnson and the Swain Mining Claims shall be set off in equal proportion against the 37.5 percent interests of each of Randsburg and Lake Superior, at such time as the beneficial interests of the aforementioned Randsburg and Lake Superior may be recorded as legal interests on the abstracts for the aforementioned Mining Claims Drilled by Johnson and the Swain Mining Claims, failing which the interest of Johnson shall remain as set out in paragraph 1 above.

3. **THIS TRIBUNAL FURTHER ORDERS** that the aforementioned interest ordered transferred with respect to the Lake Superior Mining Claims shall be set off in equal proportion against the 50 percent interests of each of Randsburg and Lake Superior, at such future date as the beneficial interest the aforementioned Randsburg, may be recorded as legal interest on the abstracts for the aforementioned Lake Superior Mining Claims, failing which the interest of Johnson shall remain as set out in paragraph 1 above.

WHEREAS this Application was received by this tribunal on the 22nd day of November, 1999 and notations of "pending proceedings" were placed on the abstracts of the Mining Claims Drilled by Johnson, the Lake Superior Mining Claims and the Swain Mining Claims, respectively;

AND WHEREAS the tribunal notes that on the 17th day of December, 2000, the "pending proceedings" notation was placed for a second time on the abstracts of Mining Claims L-1225672 to 1225678, both inclusive, 1226881, 1226882, 1227025, 1227027 to 1227029, both inclusive, 1227048, 1227049, 1227199, 1227255 and 1234970, situate in the Township of Van Hise, in the Larder Lake Mining Division, being the subject matter of File No. MA-007-00, having been filed in this Office on the 17th day of February, 2000;

AND WHEREAS the tribunal further notes that as a result of the aforementioned applications and "pending proceedings" notations, it is unable to exclude time and set new anniversary dates on any of the aforementioned Mining Claims as set out above at this time; **AND FURTHER ADVISES** that at such time as those Mining Claims which continue to be governed by "pending proceedings" notations in Mining and Lands Commissioner's File No. MA-007-00, shall have their time excluded from the 22nd day of November, 1999 up to and including the date of the final disposition of the aforementioned File No. MA-007-00;

4. THIS TRIBUNAL FURTHER ORDERS that the notation "Pending Proceedings" which is recorded on the abstracts of the "Mining Claims Drilled by Johnson", the "Superior Mining Claims" and the "Swain Mining Claims", effective from the 22nd day of November, 1999, be removed from the abstracts of the "Mining Claims Drilled by Johnson", the "Superior Mining Claims" and the "Swain Mining Claims".

5. THIS TRIBUNAL FURTHER ORDERS that the time during which Mining Claims L-1076976, 1221753, 1223175, 1223921, 1223939, 1223942, 1224210, 1224235, 1224237 to 1224239, both inclusive, 1224293 to 1224295, both inclusive, 1227201 and 1207053, 1223905, 1223906, 1223932, 1224216, 1224217 and 1238902 to 1238906, both inclusive, were under pending proceedings, being the 22nd day of November, 1999 to the 20th day of March, 2001, a total of 485 days, be excluded in computing time within which work upon the Mining Claims is to be performed.

6. THIS TRIBUNAL FURTHER ORDERS that the 4th day of November, 2001, be fixed as the date by which the next unit of prescribed assessment work on Mining Claim L-1076976, as set out in Schedule "A" attached to this Order, pursuant to subsection 67(3) of the **Mining Act** and subsequent anniversary dates are deemed to be November 4 pursuant to subsection 67(4) of the **Mining Act**.

7. THIS TRIBUNAL FURTHER ORDERS that the 4th day of April, 2002, be fixed as the date by which the next unit of prescribed assessment work on Mining Claims L-1221753, 1223175, 1224235, 1224237 to 1224239, both inclusive and 1224293 to 1224295, both inclusive, as set out in Schedule "A" attached to this Order, pursuant to subsection 67(3) of the **Mining Act** and subsequent anniversary dates are deemed to be April 4 pursuant to subsection 67(4) of the **Mining Act**.

8. THIS TRIBUNAL FURTHER ORDERS that the 16th day of January, 2002, be fixed as the date by which the next unit of prescribed assessment work on Mining Claims L-1223921, 1223939, 1223942, 1223905, 1223906 and 1223932, as set out in Schedule "A" attached to this Order, pursuant to subsection 67(3) of the **Mining Act** and subsequent anniversary dates are deemed to be January 16 pursuant to subsection 67(4) of the **Mining Act**.

9. **THIS TRIBUNAL FURTHER ORDERS** that the 25th day of January, 2003, be fixed as the date by which the next unit of prescribed assessment work on Mining Claim L-1224210, as set out in Schedule "A" attached to this Order, pursuant to subsection 67(3) of the **Mining Act** and subsequent anniversary dates are deemed to be January 25 pursuant to subsection 67(4) of the **Mining Act**.

10. **THIS TRIBUNAL FURTHER ORDERS** that the 17th day of December, 2001, be fixed as the date by which the next unit of prescribed assessment work on Mining Claim L-1227201, as set out in Schedule "A" attached to this Order, pursuant to subsection 67(3) of the **Mining Act** and subsequent anniversary dates are deemed to be December 17 pursuant to subsection 67(4) of the **Mining Act**.

11. **THIS TRIBUNAL FURTHER ORDERS** that the 4th day of December, 2002, be fixed as the date by which the next unit of prescribed assessment work on Mining Claims L-1238902 to 1238906, both inclusive, as set out in Schedule "A" attached to this Order, pursuant to subsection 67(3) of the **Mining Act** and subsequent anniversary dates are deemed to be December 4 pursuant to subsection 67(4) of the **Mining Act**.

12. **THIS TRIBUNAL FURTHER ORDERS** that the 1st day of March, 2002, be fixed as the date by which the next unit of prescribed assessment work on Mining Claims L-1207053, 1224216 and 1224217, as set out in Schedule "A" attached to this Order, pursuant to subsection 67(3) of the **Mining Act** and subsequent anniversary dates are deemed to be March 1 pursuant to subsection 67(4) of the **Mining Act**.

THIS TRIBUNAL FURTHER ADVISES that pursuant to subsection 129(4) of the **Mining Act** as amended, a copy of this Order shall be forwarded by this tribunal to the Provincial Mining Recorder **WHO IS HEREBY DIRECTED** to amend the records in the Provincial Recording Office as necessary and in accordance with the aforementioned subsection 129(4).

Reasons for this Order are attached.

DATED this 20th day of March, 2001.

Original signed by

L. Kamerman
MINING AND LANDS COMMISSIONER

SCHEDULE "A"

Mining Claim	Due Date	New Due Date
L-1076976	July 7, 2000	November 4, 2001
L-1221753	December 5, 2000	April 4, 2002
L-1223175	"	"
L-1224235	"	"
L-1224237 to 1224239 incl.	"	"
L-1224293 to 1224295 incl.	"	"
1223921	September 18, 2000	January 16, 2002
1223939	"	"
1223942	"	"
1223905 & 1223906	"	"
1223932	"	"
1224210	September 27, 2001	January 25, 2003
1227201	August 19, 2000	December 17, 2001
1238902 to 1238906 incl.	August 6, 2001	December 4, 2002
1207053	November 1, 2000	March 1, 2002
1224216 & 1224217	"	"



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AND IN THE MATTER OF

Mining Claims L-1076976, 1221753, 1223175, 1223921, 1223939, 1223942, 1224210, 1224235, 1224237 to 1224239, both inclusive, 1224293 to 1224295, both inclusive, 1227201 and 1238906, situate in the Township of Milner; and 1207053, 1223905, 1223906, 1223932, 1224216 and 1224217, and 1238902 to 1238905, both inclusive, situate in the Township of Van Hise, in the Larder Lake Mining Division, recorded in the name of Lake Superior Resources Corporation, hereinafter referred to as the "Superior Mining Claims";

(Amended March 20, 2001)

AND IN THE MATTER OF

Mining Claims L-1225672 situate in the Township of Milner; and 1225673 to 1225676, both inclusive, 1225678, 1226881, 1227025, 1227027 to 1227029, both inclusive, 1227048, 1227049, 1227199, 1227255 and 1234970, situate in the Township of Van Hise, in the Larder Lake Mining Division, recorded in the names of Glenn Walter Bray, as to a 32% interest, Sharon Adelia Cotton, as to a 24% interest, Fred Ross Swain, as to a 20% interest, 903573 Ontario Limited, as to a 16% interest and Margaret Kaye Montgomery, as to an 8% interest, hereinafter referred to as the "Swain Mining Claims";

AND IN THE MATTER OF

A Joint Venture Agreement between Randsburg International Gold Corporation and Lake Superior Resources Corporation involving lands in Milner and Van Hise Townships and alleged to include the Mining Claims;

B E T W E E N:

W. JOHNSON MINING AND OIL FIELD SERVICES LTD.
Applicant

- and -

RANDBURG INTERNATIONAL GOLD CORPORATION and
LAKE SUPERIOR RESOURCES CORPORATION
Respondents of the First Part

- and -

GLENN WALTER BRAY, SHARON ADELIA COTTON,
FRED ROSS SWAIN, 903573 ONTARIO LIMITED and
MARGARET KAYE MONTGOMERY
Respondents of the Second Part

AND IN THE MATTER OF

An agreement dated the 16th day of July, 1999, between Randsburg International Gold Corporation, as company and W. Johnson Mining and Oil Field Services Ltd. as contractor for drilling and other services on lands in Milner and Van Hise Townships and alleged to be on the Mining Claims;

AND IN THE MATTER OF

An application under section 69 of the **Mining Act** for the vesting of ownership of the Mining Claims Drilled by Johnson from the Respondents of the Second Part, Bray, Cotton, Swain, 903573 Ontario Limited and Montgomery and a vesting of the interest in the Mining Claims Drilled by Johnson, the Superior Mining Claims and the Swain Mining Claims from the Respondents of the First Part, Randsburg International Gold Corporation and Lake Superior Resources Corporation, to the Applicant, by reason of default in payment for work performed by the said Applicant and such other relief as the tribunal deems just.

REASONS

On February 13th, 2001, the parties were directed to provide their respective positions on the following:

- (a) the valuation of the Mining Claims Drilled by Johnson, the Superior Mining Claims and the Swain Mining Claims;

- (b) detailing actual expenditures or estimated value of in-kind costs for staking, assessment work [as may have been found in the Interlocutory Judgment or other such costs incurred within the knowledge of the respective party] and consulting fees, and notwithstanding the generality of the foregoing, any other or additional factors which, in the party's submission may have an impact on the valuation, including, but not limited to goodwill, mining activity in the area, including producing mines;
- (c) along with submissions as to what proportion of the Respondents' of the First Part interest in the Mining Claims Drilled by Johnson should be vested in the Applicant, including characterization of those interests;
- (d) what proportion of the Respondents' of the First Part interest in the Swain Mining Claims should be vested in the Applicant, including characterization of those interests;
- (e) what proportion of Randsburg International Gold Corporation's interest in the Superior Mining Claims should be vested in the Applicant, including characterization of that interest; and
- (f) what proportion of Lake Superior Resources Corporations' interest in the Superior Mining Claims should be vested in the Applicant.

Preliminary Issue

On the 13th day of February, 2001, the tribunal issued an Order to Supplement and Amend Interlocutory Judgment. The purpose of this Order was to deal with the issue of what liability, if any, Lake Superior had with respect to the money or money and shares owed Johnson.

In a letter to the tribunal, dated February 14, 2001, Mr. Opara wrote the following:

"We respectfully point out to the tribunal that this was not the operative instrument between the two companies. The Memorandum of Understanding is the instrument that is attached with this letter and dated June 17, 1999. It was also included in material before the tribunal, specifically in the material provided by the Respondents of the Second part. This document was we believe referred to in the testimony of Fred Swain. This was also the Memorandum of Understanding delivered to the Vancouver Stock Exchange and approval bodies. This Memorandum of Understanding makes no reference to Lake Superior having to raise any money. The Memorandum of Understanding that the tribunal refers to in its decision was not legal, would not be approved by the regulatory bodies nor was the operative instrument between the two companies.

Based on the foregoing, we respectfully request the Commissioner to amend her decision and find Lake Superior free of any liability in the matter as in her original decision. If necessary we are asking for a further hearing into this matter."

Mr. Opara referred to an adverse inference being drawn from his not having given evidence, as Mr. Fitz for Johnson had submitted the tribunal was able to do. He stated that he was willing and ready to testify, but made allegations of threats against him. Mr. Opara requested that the hearing be reconvened so that he might shed light on the issues raised in the Order to Amend and Supplement. He concluded by pointing out that the time frames set for submissions for purposes of valuation were too short to do a credible job.

Mr. Swain wrote to the tribunal on February 20, 2001 and stated the copy of the Memorandum of Understanding between Randsburg and Lake Superior upon which the tribunal relied was the copy which Swain et al. relied upon when entering into their letter agreement with Lake Superior on June 20, 1999, in which Lake Superior acquired a 75 percent interest in the Swain Mining Claims. Mr. Swain indicated that he saw only the version which Mr. Opara is asking the tribunal to rely upon when he received the documentation produced through this proceeding.

Finding on Preliminary Issue

The tribunal did not respond in writing to this correspondence, nor give any indication of what should be done with submissions found therein. Section 117 of the **Mining Act** states:

- 117.** Despite the *Statutory Powers Procedure Act*, the Commissioner may hear and dispose of any application not involving the final determination of the matter or proceeding, either on or without notice, at any place he or she considers convenient, and his or her decision upon any such application is final and is not subject to appeal but, where the Commissioner makes his or her decision without notice, he or she may later reconsider and amend such decision.

The tribunal does not accept the reasons given by Mr. Opara for having failed to give evidence during the course of the hearing. The allegations of threats should not be made covertly, under cover of correspondence, but should have been raised through counsel. It is pointed out that, during the course of the hearing, Lake Superior had its legal representatives present. The tribunal finds that it can give no credence to these allegations.

As to the substance of the determination made, the tribunal finds that it will not consider additional evidence on which of the two copies of the Memorandum of Understanding between Randsburg and Lake Superior governs their relationship. This information will undoubtedly be addressed in the action between Swain et. al. and Lake Superior, bearing Tribunal File No. MA 007-00, whose proceedings will commence in earnest following the disposition of this section 69 application.

Finally, the joint venture with Randsburg apparently provides that Randsburg would supply capital for drilling and Lake Superior would provide the land and administration. There is no doubt that Randsburg and Lake Superior, at the relevant time, were operating a joint venture. A vesting order involves an interest in land. It is Lake Superior which has both a legal interest in the Lake Superior Mining Claims and a priority as against Randsburg with respect to the Swain Mining Claims, including those drilled by Johnson. The finding as to the liability of Lake Superior, will stand. The tribunal finds, on the real merits and substantial justice of the facts, that Lake Superior cannot avoid Johnson's application for the vesting of an interest in the Mining Claims by asserting that it had no contractual relationship with Johnson. Randsburg and Lake Superior are found to be inextricably intertwined through their dealings with Johnson, which is proper and fitting in a joint venture arrangement.

Submissions on Valuation

Note: The following submissions are an amalgamation or direct excerpts or precis of the material submitted by the parties. In the interest of expediency the original material which has been directly quoted has not been distinguished from the summarized material. This in no way reflects on the weight to be given to the various submissions. Rather, it is in an effort to capture the essence of each of the parties' arguments, without unnecessarily burdening the text with quotation marks, square brackets and indentations.

Applicant, W. Johnson Mining and Oil Field Services Ltd.

The Purpose of a Vesting Order

The valuation of the Claims for the Vesting Order must be made from the perspective that it is made pursuant to section 69 of the **Mining Act**. The purpose is that of compensating the person performing work on mining claims, namely the applicant, where there has been a default in payment for the work performed. In this case, the purpose of section 69 is to compensate Johnson, who has not received remuneration for work performed.

By virtue of this provision, the person who receives the vested claims is placed in a position to sell the claims to a willing purchaser or to otherwise develop the claims in the expectation of recovering an amount equivalent to the amount owing to him.

Accordingly, for purposes of the Vesting Order sought, the valuation of the Mining Claims should give value only to work performed by Randsburg/Lake Superior which actually provided value to the applicant, Johnson. Therefore, unless the expenditures actually assist Johnson in selling or developing the Mining Claims, they should be assigned no value for the purpose of calculating the value of the Mining Claims.

Expenditures of Value

There will be underlying information, documentation related to applicable expenditures and results which will be used to support any valuation relating to the Mining Claims. It is submitted that such valuations based on work actually performed should not be

considered by the tribunal unless the supporting documentation had already been filed during the course of the proceeding. There has been no full and thorough disclosure. Therefore, only that information which was filed in support of the application to determine the amount owing to Johnson should be used in valuating the Mining Claims.

Market Value

As has been judicially noted, a market value is the highest price available in an open and unrestricted market between **informed**, prudent parties acting at arms length and under no compulsion to act [*Brant Investments Ltd. v. Keeprits Inc.* (1987), 42 D.L.R. (4th, 15) (Ont. H.C.)]. In the absence of full disclosure relating to an expenditure, Johnson has not been *fully informed* and can derive no benefit from that expenditure for valuation purposes.

The Order to File, issued November 26th, 1999, required all parties to produce all documentation which they intended to rely upon in the proceedings. This filing was fraught with repeated requests for additional documentation and yet Randsburg and Lake Superior both failed to provide all documentation in advance of the hearing. This was acknowledged during the hearing of the merits. In addition to the general disclosure request, Johnson had asked Randsburg and Lake Superior to produce the drill core obtained from the drilling work. There was no agreement as to whether there was a discovery of a significant mineral deposit or merely of disseminated sulphides and flowing from this fact, Johnson repeatedly requested production of the drill core and related reports. Randsburg had the capacity to produce the requested material to the tribunal, but elected to not do so.

With reference to the exploration costs referred to in the financial statements of Randsburg dated January 31st, 2000, which have been appended to Randsburg's submission of February 28th, 2001, Johnson submitted that most expenditures shown provide no value to Johnson for purposes of sale or development. While some may have provided value to Johnson, they cannot provide any such value through the ongoing failure of Randsburg and Lake Superior to provide the drill core and related documentation from the drilling on the Mining Claims Drilled by Johnson.

There has also been an ongoing failure to produce all documentation related to the geological consulting and geophysical surveys as had been requested. The evidence of Mr. Puskas that ground geophysics were never applied to the area of the FL-99-01 hole is contrasted with the validity of expenditures claimed by Randsburg. Therefore, Randsburg and Lake Superior should not be entitled to rely on purported expenditures which were not fully disclosed during the course of the proceedings.

The Actual Market Value

It is submitted that the aim of valuation is to determine the exchange value of the Mining Claims, namely the price at which the property is saleable [*Montreal v. Sun Life Ass'ce of Canada*, [1952] 2 D.L.R. 81 at p. 90 (Judicial committee of the Privy Council)]. Also, while Frank Puskas has given evidence that the Mining Claims may have potential, there is no project due to the ongoing uncertainties. Obtaining financing for this project has become extremely difficult.

The saleability of the Mining Claims must be considered when assessing the Vesting Order.

Actual Expenditures

The Memorandum of Understanding between Randsburg and Lake Superior contemplated the expenditure of \$160,000 over a twelve month period for drilling, geological consultation, geophysics and ancillary expenditures. The financing raised by Randsburg and Lake Superior was approximately \$350,000 to \$400,000. However, Mr. Lenigan admitted that the financing raised by Randsburg was based primarily upon the strength of their Angola Project and not due to the Mining Claims.

Given the limited documentary disclosure, it is submitted that the "expenditures" purported to relate to the Mining Claims should be viewed by the tribunal with caution.

The Objective Valuation

It is submitted that Randsburg and Lake Superior have demonstrated that they value the Mining Claims at less than \$85,415.08, which is the amount which the tribunal found owing to Johnson. Given that the Mining Claims drilled by Johnson, the Superior Mining Claims and the Swain Mining Claims have all been placed in issue in this proceeding, the failure by Randsburg and Lake Superior to pay the amount reflects the fact that the value of these claims to them is less than the monetary value of the Judgement.

Johnson does acknowledge that costs for staking and recording are expenditures which would accrue to its benefit. It is submitted on behalf of Johnson that the following interest in the claims specified should be vested in Johnson:

- ◆ The entire interest of Randsburg and Lake Superior in the two Mining Claims Drilled by Johnson;
- ◆ The entire interest of Randsburg and Lake Superior in the Swain Mining Claims;
- ◆ The entire interest of Randsburg in the Superior Mining Claims, or alternatively, the entire interest of Randsburg in some of the Superior Mining Claims; and
- ◆ the entire interest of Lake Superior in the Superior Mining Claims, or alternatively, the entire interest of Superior in some of the Superior Mining Claims.

Costs

It was further submitted that, in addition to the Judgement Amount, the Vesting Order should also take into account the costs which Johnson has incurred in prosecuting this matter.

Respondent of the First Part, Randsburg International Gold Corporation

Pursuant to the Memorandum of Understanding dated June 17, 1999, Randsburg had the right to earn a 50% interest in mineral properties held by Lake Superior in Van Hise and Milner Townships. It was required to spend \$160,000 on exploration over a twelve month period and issue to Lake Superior a total of 75,000 shares, of which 45,000 shares had already been issued at a deemed value of \$33,750.

According to the audited financial statements of Randsburg for the twelve month period ending January 31, 2000, during which time the majority of the exploration work was conducted, a total of \$274,065 was spent on the Mining Claims. This total does not include an estimated \$22,500 Canadian, as an allocation for management supervision. This amount is half of the \$5,000 US per month management fee paid to James Lenigan, the President of Randsburg, during the six month period from July to December, 1999, during which work was conducted on the Mining Claims.

During the fiscal year ending January 31, 2000, Randsburg spent a further \$6,179 on the Mining Claims, primarily for core storage and geological consulting.

This results in a total, to date of \$336,494 having been spent on the Mining Claims by Randsburg towards earning its 50% interest in the Mining Claims, which is summarized:

Common shares issued (audited)	\$ 33,750
Exploration expenditures to January 31, 2000 (audited)	\$274,065
Management fees - James Lenigan	\$ 22,500
Exploration Expenditures February 1, 2000 to date (Unaudited)	<u>\$ 6,179</u>
	Total \$336,494

In its Interlocutory Judgement, the tribunal determined that Johnson was owed \$85,415.08 by Randsburg for work conducted on the Mining Claims. Adding this to the \$336,494 which has been spent to date, results in a total of \$421,909.09. This is money spent on properties in which Randsburg has earned a 50 percent interest. The money owed to Johnson represents a 20.2 percent interest of the total amount spent on the properties.

Based on the facts outlined, the value of Randsburg's 50 percent interest in the Mining Claims, also based on out-of-pocket development costs would be \$421,909.08. It would therefore be reasonable for Johnson to be entitled to receive a 20.2 percent interest of Randsburg's 50 percent interest in the Mining Claims or a 10.1 percent interest in the Mining Claims.

Further in support, it should be noted that Johnson drilled one of the five holes on the Mining Claims and has already been paid for this work. This would represent 1/5 or 20 percent of the total number of holes drilled on the Mining Claims, which would make Randsburg's submission of a 20 percent interest in Randsburg's interest fair and reasonable to all parties in this matter.

Respondent of the First Part, Lake Superior Resources Corporation

It was submitted that the time given was too short to prepare a complete professional valuation of the properties involved, as had been pointed out to the tribunal in earlier correspondence.

Lake Superior has based its valuation of the Mining Claims on one earlier valuation conducted by A.C.A. Howe International Limited, dated October 31, 1997 and the report of Frank Puskas, project geologist, dated February 27, 2001. Both were included.

Lake Superior submitted that the Mining Claims range in value between \$1,691,859 and \$96,000. The first figure is based on the Appraised Value Method (Howe). The second figure is based on figures developed in the Puskas report to which certain comments by and on behalf of Johnson were applied, which Lake Superior has analyzed and projected the value of a large mineral deposit valued worth \$960,000,000. Mr. Puskas has determined the probability of such a deposit being found on the Mining Claims being ten percent, the value would be \$96,000,000.

The Mining Claims are on one large circular anomaly. Therefore, Lake Superior takes the position that any Vesting Order should apply equally over the whole of the properties. It is difficult at this time to ascribe a higher or lower value to any specific claim.

It is submitted that Johnson be awarded 0.0889 percent of the total interest in the Mining Claims. This is based on the Puskas Report, probability of mineral discover calculation/Net Present Value (NPV) Method.

Valuation Report

The Howe valuation, done in 1997 ascribed a value between \$1.15 and \$1.83 million based 22,808 acres of ground. The valuation does not take into account the litigation in which the current holding of an aggregate of 16,940 acres is held by Swain et al. and Lake Superior.

Expenditures on Property to Date

Estimated Staking Costs	\$ 17,000
Estimated Recording fees	\$ 2,000
Money spent by Lake Superior -includes airborne geophysics, trenching, assaying, trenching, geological consulting	\$126,000
Money spent by Randsburg including Johnson award - geophysics, drilling consulting etc.	<u>\$387,659</u>
Total Expenditures Related to Property	\$532,659

Valuation Approaches

Three valuation approaches are defined in the Howe report. They are:

Net present value (NPV) method based on a series of Discounted Cash Flow (DCF) projections. This method is used typically where there are ore reserves classified as either proven or probable and uses the discounted cash flow projections of the ore reserves.

In the Puskas report, the past program was characterized as a technical success. It stated that the probability of finding an ore body with an average reserve of 4 million tons valued at \$320 U.S. per ton on these properties is in the order of 10%. Deducting for mining, milling and smelting costs would set a Net Present value of \$160 per ton for the 4 million tons.

Based on those figures, projections would yield an ore body with a value of \$640 million U.S. or \$960 million Canadian. With the probability being 10% that such an ore body is present on the property, if discounted on the basis of probability, the value would be \$64 million U.S. or \$96 million Canadian.

It was submitted that the tribunal should bind Johnson to his testimony that there was in fact such a large mineral discovery on the property and should not be able to now assert that the Mining Claims are worth considerably less.

In the immediately adjoining township of Tyrrell, Inmet Mining has discovered an ore body of 2 million ounces of gold. Discounted for mining, milling and smelting costs would give a value to the gold of approximately \$100 per ounce. The value of the Inmet property could be as high as \$200 million.

The **Appraised Value Method** is considered one method most applicable to appraising the value of properties which have no viable ore reserves or commercial production possibilities upon which to establish a value. Howe produces the following quote at page 5, attributable to Roscoe, 1986, but no reference is provided:

"the real value of an exploration property is its potential for the existence of an economically viable orebody and the most objective way to value a property's exploration potential is to equate it to the cost of exploration work that is warranted to assess the potential."

Two assumptions are required in applying this method. The first recognizes that there is a relationship between exploration work performed and the value of the property, so that work done can either enhance or diminish value. The second is that past and future expenditures on a property of merit will produce a current value at least equal to the money expended. Therefore, all expenditures are assumed to contribute to the value of the property, as having been carried out according to normally accepted business practices and as being relevant.

