

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION N° : 12-Abitibi
COURT N° : 615-11-001229-105
FILE N° : 33-1395340
OFFICE N° : 420879-1000157

SUPERIOR COURT
Commercial Division

**IN THE MATTER OF THE
BANKRUPTCY OF:**

NORTHERN STAR MINING CORP., a legal person,
duly incorporated according to law, having its head
office and principal place of business at 153a Perrault
Street, Val d'Or, Québec J9P 2H1

Bankrupt

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
(Jean-François Nadon, CA, CIRP, responsible), having
its place of business at 1 Place Ville Marie, Suite 3000,
Montreal, Quebec H3B 4T9

Trustee

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

A) Background

Northern Star Mining Corp. (“NSM” or the “Company”) is a public company listed on the TSX Venture Exchange. The Company was, prior to its bankruptcy, engaged in the acquisition, exploration and development of mineral properties. NSM’s primary place of business was in Val d’Or, Quebec. NSM has one wholly-owned subsidiary, Ressources Jake Inc./Jake Resources Inc. (“Jake”) which is also bankrupt.

On August 18, 2010, NSM filed a Notice of Intention to Make a Proposal (“NOI”) and Samson Belair/Deloitte & Touche Inc. was named as Trustee in the NOI. NSM received a number of extensions of the date by which it was required to file a proposal. During those extensions, NSM held a number of discussions with interested parties and potential investors with a view to entering into a transaction(s) that would provide the basis for a proposal to NSM’s creditors. However, in a Notice of Decision Project dated December 22, 2010, the Quebec Ministry of Natural Resources and Fauna advised NSM that it intended to revoke certain mining claims owned by NSM relating to the Malarctic-Midway properties. Based on its discussions with one party from whom it was expecting an offer, NSM was of the view that the party would not enter into an agreement until the mining claims issue was resolved. As NSM’s last extension expired on January 24, 2011, NSM sought the support of its secured creditors to obtain a further extension of the time to file a proposal

in order to attempt to resolve the mining claim issue. The secured creditors did not agree to support a further extension. Accordingly, NSM did not file a proposal by January 24, 2011 and did not apply for a further extension of the date by which it was required to file a proposal. On January 25, 2011, the Trustee issued a notice to the Official Receiver pursuant to section 50.4(8)(b) of the Bankruptcy and Insolvency Act and, accordingly, NSM was deemed to have made an assignment in bankruptcy that day and Samson Belair/Deloitte & Touche Inc. was appointed Trustee in Bankruptcy of NSM.

B) Trustee's preliminary evaluation of assets and details of security interests

According to NSM's Statement of Affairs, the assets of the Company consist of the following:

	<u>Amounts per Statement of Affairs</u>	
Cash*	\$	45,888
Accounts Receivable*	\$	1,600,000
Securities**	\$	125
Land and Building**	\$	827,347
Furniture**	\$	95,884
Vehicles**	\$	57,680
Machinery, Equipment and Plant**	\$	13,061,715
Mineral Properties**	\$	53,382,792

**Estimated Realizable Value*

***Book value according to NSM's internal financial records as of January 24, 2011.*

While NSM had held a number of discussions with various interested parties regarding its assets, the Trustee is not aware of the specifics of those discussions or any offers that may have been received by the Company. While the Trustee is unable to estimate the realizable value of NSM's assets, it anticipates that the net realizable values will be less than the assets' book values.

C) Conservatory and protective measures

The Trustee has attended at NSM's two mining locations in Val d'Or, to review and determine the actions required to safeguard the Company's assets. The Trustee met with the foreman at each mining location to obtain assistance in watching over the locations and engaged the services of a third party security company to provide 24 hour monitoring of the locations. The Trustee did not change any locks.

The Trustee obtained a copy of NSM's insurance policies and requested that the Trustee be named as an additional insured and loss payee on the Company's policies. As NSM's insurance broker advised that the insurer would only provide three further months of coverage with all premiums paid in advance and fully earned, the Trustee has sought other insurance. The Trustee will review this matter with the Inspectors to be elected at this meeting of creditors.

The Trustee has notified the financial institutions where NSM held accounts and requested that these accounts be frozen immediately and that all remaining funds in the accounts be forwarded to the Trustee. As of the date of this report, no funds have been received from NSM's accounts.

D) Legal proceedings

No legal proceedings have been commenced by the Trustee.

E) Provable claims

Claims against this estate appear to be as follows:

	Per Statement of Affairs
Secured	\$ 37,174,635
Preferred	Nil
Contingent	\$7,146,870
Unsecured	<u>\$9,629,751</u>
	<u>\$53,951,256</u>

F) Secured creditors

According to the Company's Statement of Affairs, the secured creditors that have a registered security interest against the assets, property and undertakings of the Company are:

a) Red Kite Explorer Fund Limited ("Red Kite")	\$11,103,902
b) Platinum Partners Value Arbitrage Fund, L.P. ("Platinum")	9,209,045
c) Centurion Credit Group Master Fund, L.P. ("Centurion")	5,525,427
d) Beaumont Financial Partners	4,420,342
e) South Ferry #2, LP	4,033,562
f) Cregau Mining Management Ltd.	2,479,306
g) Aaron Wolfson	202,599
h) El Equities, LLC	184,181
i) Capital Mining Equipment	<u>16,271</u>
	<u>\$37,174,635</u>

As the Trustee understands that Red Kite, Platinum and Centurion (collectively, the "Secured Creditors") have security over all of the Company's assets, the Trustee, through its independent counsel, Lavery de Billy LLP ("Lavery"), requested copies of their security from counsel to the Secured Creditors. The Trustee will discuss the status of the security at this meeting of creditors.

On October 13, 2010, the Honourable Justice Geoffroy of the Quebec Superior Court issued an order that granted a \$250,000 charge (the "Administrative Charge") over NSM's and Jake's assets

in favour of the fees and expenses of the Proposal Trustee as well as those of its legal counsel and other experts engaged by the Proposal Trustee in the performance of the Proposal Trustee's duties, which charge is to rank in priority to all other charges. On October 26, 2010, Justice Geoffroy extended the charge to include NSM's and Jake's counsel. At this time, the Proposal Trustee intends to apply against the Administrative Charge an invoice of its legal counsel totalling \$15,421.03 which was unpaid as of the date of bankruptcy. The Trustee is not aware if NSM's or Jake's counsel intends to make a claim to the Administrative Charge.

G) Anticipated realizations and projected distribution

As the Trustee is not aware of the realizable value of the Company's assets, and has not at the date of this report received an opinion on the validity and enforceability of the Secured Creditors' security, the Trustee is unable at this time to estimate whether there may be any funds available for distribution to the Company's unsecured creditors.

H) Reviewable transactions and preference payments

The Trustee has not at this time performed a review of the Company's bank statements and cancelled cheques to identify transactions that may constitute potential preferences pursuant to the Bankruptcy and Insolvency Act. The Trustee will review this matter further with the Inspectors to be elected at this meeting of creditors.

I) Other matters

The Trustee received a retainer of \$67,800 at or about the time the Company filed its NOI.

Dated at Montreal, Quebec, this 8th day of February, 2011

SAMSON BELAIR/DELOITTE & TOUCHE INC.
In its capacity as Trustee of the Estate of
Northern Star Mining Corp.



Jean-François Nadon, CA, CIRP