Northern Sun Mining Corp.

(formerly Liberty Mines Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2013

(Expressed in Canadian dollars)

(Unaudited)

Northern Sun Mining Corp. (formerly Liberty Mines Inc.)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Northern Sun Mining Corp. (formerly Liberty Mines Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
As at September 30, 2013

	Notes	September 30, 2013	December 31, 2012
Assets			
Current Assets			
Cash and cash equivalents		$ **583,862**	$ 607,022
Trade and other receivables	4	**577,481**	1,241,486
Inventories	5	**458,056**	477,593
Other current assets	6	**160,153**	473,116
Total Current Assets		**1,779,552**	2,799,217
Non-Current Assets			
Reclamation deposits and restricted cash	7	**3,186,915**	3,186,915
Exploration and evaluation properties	8	**11,142,890**	10,978,831
Property, plant, and equipment	9	**37,713,895**	38,881,081
Total Non-Current Assets		**52,043,700**	53,046,827
Total Assets		$ **53,823,252**	$ 55,846,044
Liabilities and Capital Deficit			
Current Liabilities			
Accounts payable and accrued liabilities	11	$ **5,493,927**	$ 6,665,933
Dividends payable	12	**5,702,729**	4,725,388
Interest bearing notes and borrowings	12	**126,994,339**	16,831,191
Provisions	13	**1,294,000**	-
Total Current Liabilities		**139,484,995**	28,222,512
Non-Current Liabilities			
Interest bearing notes and borrowings	12	**65,001**	94,482,207
Provisions	13	**3,553,257**	3,475,002
Total Non-Current Liabilities		**3,618,258**	97,957,209
Total Liabilities		**143,103,253**	126,179,721
Capital Deficit			
Share capital	15	**78,320,593**	78,320,593
Contributed surplus	12	**4,425,686**	4,425,686
Share-based payment reserve	16	**686,128**	1,473,895
Cumulative loss		**(172,712,408)**	(154,553,851)
Total Capital Deficit		**(89,280,001)**	(70,333,677)
Total Liabilities and Capital Deficit		$ **53,823,252**	$ 55,846,044
Common Shares			
Authorized		**Unlimited**	Unlimited
Issued and outstanding		**4,129,544**	4,129,544

Wu Shu
Chairman of the Board

James Xiang
Chairman of the Audit Committee

Northern Sun Mining Corp. (formerly Liberty Mines Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the nine months ended September 30, 2013

	Notes	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenue		$ -	$ 3,869,006	$ **56,920**	$ 9,260,515
Operating costs	19	**2,166,951**	8,362,760	**7,813,675**	23,766,705
Gross loss		**(2,166,951)**	(4,493,754)	**(7,756,755)**	(14,506,190)
Corporate general and administration	20	**441,996**	1,413,253	**1,638,561**	3,918,319
Other income and expenses:					
(Gain)/loss on sale of property, plant and equipment	9	**-**	-	**(38,849)**	402,395
(Gain)/loss on foreign exchange		**(498,210)**	(678,675)	**766,218**	(649,588)
Finance cost	12	**3,244,538**	3,233,250	**9,095,831**	8,596,033
Other income		**-**	(151)	**(89,656)**	(1,801)
Debt forgiveness and restructure costs	11	**(136,842)**	-	**(136,842)**	-
Loss before income tax		**(5,218,433)**	(8,461,431)	**(18,992,018)**	(26,771,548)
Mining tax (expense)		**(3,769)**	-	**(3,769)**	-
Loss and comprehensive loss for the period		$ **(5,222,202)**	$ (8,461,431)	$ **(18,995,787)**	$ (26,771,548)
Weighted average common shares outstanding	1, 18	**4,129,544**	4,129,544	**4,129,544**	4,129,544
Loss per ordinary share basic and diluted	18	**($1.26)**	($2.05)	**($4.60)**	($6.48)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Northern Sun Mining Corp. (formerly Liberty Mines Inc.)

Condensed Interim Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2013

	Notes	Share Capital	Contributed Surplus	Share Based Payment Reserve	Cumulative Loss	Total
Balance at January 1, 2013		$ 78,320,593	$ 4,425,686	$ 1,473,895	$ (154,553,851)	$ (70,333,677)
Loss for the period		-	-	-	(18,995,787)	(18,995,787)
Issuance of options expense	16	-	-	49,463	-	49,463
Cancelled/expired options		-	-	(837,230)	837,230	-
Balance at September 30, 2013		$ 78,320,593	$ 4,425,686	$ 686,128	$ (172,712,408)	$ (89,280,001)
Balance at January 1, 2012		$ 78,320,593	$ 3,902,301	$ 2,041,788	$ (91,063,626)	$ (6,798,944)
Loss for the period		-	-	-	(26,771,548)	(26,771,548)
Fair value of shareholder loans		-	523,385	-	-	523,385
Issuance of options expense	16	-	-	261,573	-	261,573
Cancelled/expired options		-	-	(893,195)	893,195	-
Balance at September 30, 2012		$78,320,593	$4,425,686	$1,410,166	$ (116,941,979)	$ (32,785,534)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Northern Sun Mining Corp. (formerly Liberty Mines Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2013

	Notes	Nine months ended September 30, 2013	September 30, 2012
Cash flows from operating activities			
Loss before income tax		**$ (18,992,018)**	$ (26,771,548)
Adjusted for:			
Amortization and depletion of operating assets	9	**4,293,934**	7,144,622
Accretion of site restoration obligation	13	**78,255**	60,990
Unrealized foreign exchange loss		**767,874**	(733,681)
(Gain)/loss on sale of property, plant and equipment	9	**(38,849)**	402,395
(Gain) on debt forgiveness	11	**(836,842)**	-
Stock based compensation	16	**49,463**	261,573
Finance costs	12	**9,095,831**	8,596,032
Changes in non-cash working capital:			
Accounts receivable		**664,005**	(1,912,407)
Inventories		**19,537**	21,951
Prepaid expenses		**194,056**	113,090
Accounts payable and accrued liabilities		**125,068**	2,274,369
Net cash (used in) operating activities		**(4,579,686)**	(10,542,614)
Cash flows from investing activities			
Acquisition of property, plant, and equipment	9	**(2,232,741)**	(8,205,437)
Investment in exploration and evaluation assets	8	**(164,059)**	(1,083,928)
Decrease in construction and equipment deposits		**118,907**	10,824
(Increase) in reclamation deposits, restricted cash	7	**-**	(890,277)
Proceeds from sale of property, plant and equipment	9	**50,842**	-
Net cash (used in) investing activities		**(2,227,051)**	(10,168,818)
Cash flows from financing activities			
Proceeds from interest bearing notes	1,12	**7,304,174**	20,600,000
Payment of interest	1,12	**(30,376)**	-
Repayment of capital lease obligations	12	**(393,828)**	(538,604)
Repayment of equipment financing	12	**(20,393)**	(16,051)
Net cash provided by financing activities		**6,859,577**	20,045,345
Net increase/(decrease) in cash during the period		**52,840**	(666,087)
Cash, beginning of the period		**607,022**	1,304,268
Cash, end of the period		**$ 659,862**	$ 638,181

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

1. CORPORATE INFORMATION

Liberty Mines Inc. changed its name to Northern Sun Mining Corp. subsequent to the end of the quarter ended September 30, 2013 as approved by shareholders at a special meeting held on October 15, 2013. Northern Sun Mining Corp. (the "Company", the “Corporation” or “Northern Sun”) owns two former producing nickel mines, the Redstone Mill, and a large prospective land package in the Shaw Dome area located near Timmins, Ontario, Canada. The corporate head office is located at 65 Queen St. W, Suite 815, Toronto, Ontario, M5H 2M5. As at September 30, 2013, Jien International Investments Limited (“JIIL”) is the parent of the Company, with an approximate 60% equity holding and JIIL is a wholly-owned subsidiary of Jilin Jien Nickel Industry Co., Ltd. (“JJNICL”), the ultimate controlling party of Northern Sun.

The Company’s shares are traded on the Toronto Stock Exchange (“TSX”). In August 2013, the Company consolidated its common shares on the basis of one new common share for every 50 common shares outstanding. All common shares, options and per share amounts have been restated to give retroactive effect to the share consolidation.

During the nine months ended September 30, 2013, JJNICL issued loans of $7,304,174 to the Company through its wholly-owned subsidiary JIIL.

The Company commenced production in Timmins from the McWatters Mine in Q1 2012. On August 14, 2012, the Company moved to care and maintenance mode due to nickel prices falling to a price that made remaining in operation uneconomical. The Company remains on care and maintenance as of September 30, 2013. The Company is in the process of remediation of asbestos contamination at the Company’s Redstone and McWaters projects which was identified in early 2013. The Company intends to re-open the mill to offer toll milling services.

The business of mining and exploring for minerals involves a high degree of risk and uncertainty; there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties and property, plant and equipment are dependent on the Company’s ability to obtain the necessary financing to bring its post-development properties into profitable production by completing development or disposing of the properties at a profit. In addition, the recoverability of amounts shown for exploration properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying mineral claims. Changes in future conditions could require material write-downs of the carrying values of exploration and evaluation properties and property, plant and equipment.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim consolidated financial statements of Northern Sun and all its subsidiaries (the “Company”) have been prepared in accordance with IAS 34 – Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB. Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted.

2. BASIS OF PREPARATION (CONTINUED)

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

These condensed interim consolidated financial statements were authorized for issue by the board of directors on November 13, 2013.

b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. These condensed interim consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency.

The preparation of the condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 of the Company's Audited Annual Consolidated Financial Statements for the year ended December 31, 2012.

c) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. These condensed interim consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company incurred a net loss of $18,995,787 during the nine months ended September 30, 2013 and, as of that date, its current liabilities exceeded its current assets by $137,705,443 and it had a cumulative deficit of $172,712,408. As such, the Company's ability to continue as a going concern is in significant doubt. The continuing operations of the Company are dependent on its ability to generate future cash flows from its mining operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained through external financing and/or continued support from JJNICL and JIIL, subject to certain conditions to meet the Company's liabilities and commitments as they become due and to fund capital projects, although there is a risk that such financing will not be available on a timely basis or on terms acceptable to the Company. The procurement of additional financing through debt or equity markets is dependent on robust commodities markets and investor confidence in mining equities in general and in the Company in particular. In the event that the Company is unable to secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classifications used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the Audited Annual Consolidated Financial Statements of Northern Sun for the year ended December 31, 2012 with the exception of the application of certain new and amended IFRS issued by the IASB which were effective from January 1, 2013, and accordingly, the interim condensed consolidated financial statements should be read in conjunction with said statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2013. Updates that are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company has re-assessed its control conclusions and determined that there were no changes in the consolidation status of any of its subsidiaries.

IFRS 12, Disclosure of Involvement with Other Entities, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company has determined that it is in compliance with IFRS 12 and there was no change to the financial presentation as a result of this change.

IFRS 13, Fair Value Measurement, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 (Share-based Payments); leasing transactions within the scope of IAS (17 Leases); measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 (Inventories); or value in use in IAS 36 (Impairment of Assets). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company has determined that it is in compliance with IFRS 13 and there was no impact of this change on the Company's financial statements.

IAS 1, *Presentation of Financial Statements* ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has determined that there is no impact of the amendments to IAS 1 on its financial statements.

Future accounting policies

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

4. TRADE AND OTHER RECEIVABLES

Included in other receivables as at September 30, 2013 is approximately $576,000 in HST refund receivable. On December 31, 2012, approximately $900,000 was due from JJNICL in relation to a refund of withholding taxes paid to the Canada Revenue Agency in connection with the term loan from JJNICL. All amounts owing from JJNICL were received as of September 30, 2013.

As of September 30, 2013 the prior period derivative asset had a fair value of $nil (derivative liability December 31, 2012 - $88,919). The derivative arose in relation to the terms of the Company's nickel concentrate sales contract, through which the settlement price of nickel sales is determined using average nickel price in the third month following delivery. The fair value of the derivative has been determined using the market price at the balance sheet date. Gains and losses associated with this derivative are recognized in revenue.

5. INVENTORIES

The major components of the Company's inventory accounts are as follows:

		September 30, 2013		December 31, 2012
Supplies Inventory		**458,056**		477,593
Total	**$**	**458,056**	$	477,593

6. OTHER CURRENT ASSETS

		September 30, 2013		December 31, 2012
Prepaid expenses	**$**	**119,060**	$	333,116
Construction & equipment deposits		**41,093**		140,000
Total	**$**	**160,153**	$	473,116

The Company's other current assets comprise prepaid expenses, which include hydro and construction deposits. These balances fluctuate due to timing and the progression of projects being carried out by the Company.

7. RECLAMATION DEPOSITS AND RESTRICTED CASH

Reclamation Deposits		**September 30, 2013**		December 31, 2012
Reclamation deposits - Redstone Mine	**$**	**1,864,695**	$	1,864,695
Reclamation deposits - Redstone Mill	**$**	**535,161**	$	535,161
Reclamation deposits - McWatters Open Pit	**$**	**115,043**	$	115,043
Reclamation deposits - McWatters Mine	**$**	**334,616**	$	334,616
Reclamation deposits - Hart Mine	**$**	**337,400**	$	337,400
	$	**3,186,915**	$	3,186,915

In 2012, the Company added to the reclamation deposit for the Redstone Mine and made a new reclamation deposit for the Hart Project after the approval of the closure plans which were submitted to the Ministry of Northern Development.

8. EXPLORATION AND EVALUATION PROPERTIES

	McAra	Shaw Dome	Groves	Hart	Croxall	Total
Balance as at December 31, 2012	$ 1,119,152	$ 974,656	$ 1,340,916	$ 6,811,210	$ 732,897	$10,978,831
Exploration costs	39,633	-	114,592	1,738	3,057	159,020
Property acquisition and maintenance	1,146	-	-	887	3,006	5,039
Balance as at September 30, 2013	$ 1,159,931	$ 974,656	$ 1,455,508	$ 6,813,835	$ 738,960	$11,142,890

McAra

The McAra Lake Property is located in Dufferin Township, south of Shining Tree, Ontario. The property is subject to a 2% Net Smelter Return royalty (“NSR”) with one claim within the property being subject to a 3% NSR.

Shaw Dome

The Shaw Dome nickel property consists of various unpatented mining claims south of Timmins, Ontario and situated to the northeast of the Corporation’s Hart, Redstone, and McWatters properties within the Shaw Dome geological formation. The properties are subject to a 3% NSR of which half (1.5%) can be purchased at any time by the Company with a payment of $1 million. The Corporation is assessing future activities on this property.

Groves

The Groves property is located approximately 110km south of Timmins, and 95km southwest of the Corporation’s Redstone Mill, within Groves, Brunswick and Togo Townships. The property is host to a Nickel-copper-platinum-palladium and gold (“PGE”) occurrence, as well as a historic gold showing.

Hart

The Hart property consists of 21 contiguous unpatented mining claims currently held in one mining lease located approximately 26 km southeast of Timmins, Ontario. This property is subject to a 1% NSR. In Q3 2012, the Corporation published an updated Prefeasibility Study on the Hart Deposit which can be reviewed on www.Sedar.com.

Croxall

In Q4 2012, the Company exercised three separate option agreements, which related to the unpatented mining claims that comprise the Croxall property (formerly referred to as the “West Redstone” property). Thus, as of Q4 2012, the Corporation holds a 100% interest in the 110 unpatented mining claims that comprise this property, subject to underlying royalties on future mineral production. The property is located contiguous with, and immediately to the northwest of the Corporation’s Redstone property. Portions of the property are subject to a either a 3% NSR, where 50% may be purchased for $1,500,000 , or a 2% NSR, where 50% may be purchased for $1,000,000.

9. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	Mill & Tailings Facility	Buildings & Infastructure	Machinery & Equipment	Machinery & Equipment Under Capital Lease	Office Furniture & Equipment	Computer Software & Equipment	Total
Cost							
Balance at December 31, 2012	$ 45,078,431	$ 10,506,446	$ 14,599,526	$ 1,820,539	$ 194,877	$ 595,701	$72,795,520
Additions	3,128,091	-	10,650	-	-	-	3,138,741
Disposals	-	-	(179,942)	-	-	-	(179,942)
Balance at September 30, 2013	48,206,522	10,506,446	14,430,234	1,820,539	194,877	595,701	75,754,319
Amortization							
Balance at December 31, 2012	17,696,073	4,813,311	10,201,775	665,752	172,203	365,325	33,914,439
Amortization for the period	2,672,101	485,006	883,064	179,469	5,748	68,546	4,293,934
Disposals	-	-	(167,949)	-	-	-	(167,949)
Balance at September 30, 2013	20,368,174	5,298,317	10,916,890	845,221	177,951	433,871	38,040,424
Carrying amounts							
At December 31, 2012	$ 27,382,358	$ 5,693,135	$ 4,397,751	$ 1,154,787	$ 22,674	$ 230,376	$38,881,081
At September 30, 2013	$ 27,838,348	$ 5,208,129	$ 3,513,344	$ 975,318	$ 16,926	$ 161,830	$37,713,895

During the period ended September 30, 2013, the Company continued on care & maintenance. Asbestos remediation work at the mill was capitalized during the period ended September 30, 2013.

The Company sold equipment, specifically vehicles, during the nine months ended September 30, 2013 for gross proceeds of $50,842, resulting in a gain on sale of $38,849 (September 30, 2012: loss of $402,395).

10. SEGMENTAL REPORTING

For management purposes, the Company is organized into two segments. The segments consist of (1) development and operating mines in the nature of the business activities (the “Operating Segment”) and (2) mineral exploration (the “Exploration Segment”). The Company has elected to present its developed mines and related mining and processing infrastructure as one reporting segment with its significant exploration and evaluation assets as individual reporting segments. As such, amounts disclosed in the consolidated financial statements also represent segment amounts in accordance with the application of this policy.

All items on the condensed interim consolidated statement of comprehensive income related to the operating segment during the nine months ended September 30, 2013.

All assets and liabilities on the consolidated balance sheet relate to the operating segment with the exception of the non-current assets value for the ‘exploration and evaluation properties’ of $11,142,890 which relates to the exploration segment.

Liberty had only one customer (December 31, 2012: one customer), accounting for its total revenue.

11. ACCOUNTS PAYABLE

The Company entered into settlement agreements with various creditors of the Company to restructure outstanding accounts payable. As at September 30, 2013, the Company settled $2,612,015 through cash payments and fees of $1,639,692, and a commitment to issue 1,265,881 common shares of the Company, which were issued subsequent to the end of the quarter. The Company recognized $136,842 in forgiveness of debt and restructure costs related to these payables for the three and nine months ended September 30, 2013.

12. INTEREST BEARING NOTES AND BORROWINGS

Finance costs included in the statement of comprehensive loss are attributable to the interest bearing notes, preferred shares, finance leases and borrowings detailed in the table below.

		September 30, 2013	December 31, 2012
Current			
Current portion of obligations under leases		$ **77,945**	$ 424,282
Current portion of equipment financing		**25,954**	28,393
Preferred Shares	iii	**16,378,516**	16,378,516
US Dollar Term Loan -- JIIL	i	**24,434,008**	-
Term Loans - JIIL	ii	**86,077,916**	-
Total		$ **126,994,339**	$ 16,831,191
Non-current			
Obligations under leases		$ **46,622**	$ 94,113
Equipment financing		**18,379**	36,333
US Dollar Term Loan -- JIIL	i	**-**	21,430,602
Term Loans - JIIL	ii	**-**	72,921,159
Total		$ **65,001**	$ 94,482,207

i) US Dollar Term loan - JIIL

As at September 30, 2013, the Company carried a loan payable to JIIL of US$23,715,413 ($24,434,008) which accrues interest monthly at a rate of 10% per annum and matures on June 30, 2014.

Security over this term loans includes:

a) a debenture dated May 25, 2009 providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;

b) a supplemental debenture in favour of JJNICL providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;

c) a share-pledge of Company's shares in Liberty Cobalt Inc. and 2004428 Ontario Inc.;

d) a demand debenture of $200,000,000 USD or a lesser amount and interest of 25% or a lesser on default of the payment entered between the Company and JIIL dated June 30, 2011; and

e) other security interest entered by the Company in favour of JJNICL.

12. INTEREST BEARING NOTES AND BORROWINGS (CONTINUED)

This loan was restructured effective June 30, 2011 whereby the original term loan was extinguished and replaced with the current term loan resulting in a difference of $1,576,953, representing the excess of the carrying value of the original JJNICL term loan over the fair value of the replacement JJNICL term loan. This difference was applied to contributed surplus in 2011 as the restructuring was determined to be a transaction with a shareholder in its capacity as a shareholder and was therefore capital in nature. The fair value of the JJNICL term loan was determined using an estimated market rate of interest of 13%. On December 31, 2011 the JJNICL Term Loan was re-assigned to JIIL.

During the three and nine months ended September 30, 2013, the Company accrued $784,331 and $2,236,848 respectively in interest expense related to this loan. This loan is classified as a current liability as at September 30, 2013.

ii) Term loans - JIIL

As at September 30, 2013, the Company carried Canadian denominated loans payable to JIIL of $86,077,916 which accrue interest monthly at a rate of 10% per annum and mature on March 31, 2014.

Security over these term loans includes:

a) a debenture dated May 25, 2009 providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
b) a supplemental debenture in favour of JIIL providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
c) a share-pledge of Company's shares in Liberty Cobalt Inc. and 2004428 Ontario Inc.;
d) a demand debenture of $200,000,000 USD or a lesser amount and interest of 25% or a lesser on default of the payment entered between the Company and JIIL dated June 30, 2011; and
e) other security interest entered by the Company in favour of JIIL.

The Company may, at its option, prepay at any time all or a portion of the principal amount outstanding or any interest owing without notice or penalty.

These loans were also part of the restructuring that occurred in June 2011, resulting in a difference of $1,235,164 in relation to the JIIL term loan, representing the excess of the carrying value of the JIIL note payable over the fair value of the JIIL term loan. This difference was applied to contributed surplus in 2011 as the restructuring was determined to be a transaction with a shareholder in its capacity as a shareholder and was therefore capital in nature. The fair value of the JIIL term loan was determined using an estimated market rate of interest of 13%.

During the nine months ended September 30, 2013, JIIL loaned the Company $7,304,174, with an additional $3,150,000 loaned subsequent to the end of the quarter. These loans are classified as a current liability as at September 30, 2013.

During the three and nine months ended September 30, 2013, the Company accrued $2,124,171 and $5,851,266 respectively in interest expense related to these loans.

12. INTEREST BEARING NOTES AND BORROWINGS (CONTINUED)

iii) Preferred shares

Upon the restructuring effective June 30, 2011, all original preferred shares were cancelled and replaced with preferred shares under the following terms:

a) Redeemable by the Company at any time at a price equal to $0.11 per share plus accrued and unpaid dividends. The amount may be paid in cash or nickel concentrate;
b) Redeemable by JJNICL at any time at a price equal to $0.11 per share plus accrued and unpaid dividends. The amount may be paid in cash or nickel concentrate; and
c) An 8.0% cumulative annual dividend to JJNICL, accruing on a quarterly basis.

The preferred share dividend creates a contractual right to deliver cash and therefore the fair value of this dividend stream is classified as a liability upon recognition. The fair value upon recognition of $10,133,653 was determined using the Dividend Growth Model, using the following assumptions: dividend growth rate of 0% and required rate of return of 13% based on the estimated market rate of comparable risk debt assurances on the date of recognition. The fair value of this portion of the preferred shares represented a difference of $3,582,247 over the fair value of the preferred share dividend of the original preferred shares. As the carrying value of the equity portion of the original preferred shares was determined by applying the residual of the carrying value from the fair value of the preferred share dividend, which was consistent with the treatment of the replacement preferred shares, an opposite difference of $3,582,247 arose with respect to this residual amount of the preferred shares. These offsetting differences were applied to contributed surplus as the restructuring was determined to be a transaction with a shareholder in its capacity as a shareholder and is therefore capital in nature.

These shares were transferred to JIIL in 2011. As JIIL can redeem the preferred shares for cash on demand, the new fair value of the preferred shares is classified as a current liability.

iv) Dividends payable

The Company accrues an 8% cumulative annual dividend to JIIL on the preferred shares with interest of 8% accruing on the dividends once they become due. The dividend accrues on a quarterly basis. The Company recorded dividends payable of $5,702,709 as at September 30, 2013 (December 31, 2012 - $4,725,388).

13. PROVISIONS

i) Site restoration obligation

The site restoration obligation relates to reclamation and closure costs for the Redstone mine, the Redstone mill, the McWatters mine and the Hart project. The settlement date of the obligations for the Redstone mine and mill is estimated to be 2020 (December 31, 2012: 2020) and for the McWatters mine is estimated to be 2015 (December 31, 2012: 2015).

	Site Restoration Costs
At December 31, 2012	$ 3,475,002
Arising during period	-
Accretion of discount	78,255
At September 30, 2013	$ 3,553,257

13. PROVISIONS (CONTINUED)

ii) Other provisions

The Company entered into a contract for the remediation of asbestos contamination at the Restone and McWaters projects for approximately $3,941,000. Of this amount, $1,294,000 is recorded as a provisional liability at September 30, 2013.

iii) Legal provisions

The Company is currently involved in a number of legal disputes. The Company has made no provision within accrued liabilities based on management's best estimate of the Company's liability having taken legal advice. The prior year provision was adjusted for settlements and revisions during the period. Uncertainties relate to whether claims will be settled out of court or if the Company will be successful in defending any action. Because of the nature of the disputes, management has not disclosed further information on the basis that they believe that this would be prejudicial to the Company's position in defending the cases brought against it.

14. CONTINGENT LIABILITIES

The Company has been informed that two former employees have started legal proceedings against the Company for unfair dismissal. The Company believes the allegations are without merit and will vigorously defend itself against any such actions.

15. SHARE CAPITAL

a) Ordinary shares

An unlimited number of common and preferred shares are authorized to be issued in series.

The holders of common shares are entitled to receive dividends which may be declared from time to time, and are entitled to one vote per share at meetings of the Company. All common shares rank equally with regard to the Company's residual assets.

In August 2013, the Company consolidated its common shares on the basis of one new common share for every 50 common shares outstanding. All common shares, options and per share amounts have been restated to give retroactive effect to the share consolidation.

b) Movement in share capital

	Number of common shares outstanding	Value of Common shares outstanding
December 31, 2012	4,129,544	$ 78,320,593
Transactions during the period:	-	-
September 30, 2013	4,129,544	$ 78,320,593

15. SHARE CAPITAL (CONTINUED)

Nature and purpose of equity

The reserves recorded in equity on the Company's balance sheet include 'Share-based payment reserve' and 'Cumulative loss'.

'Stock-based payment reserve' is used to record the issuance of options.

'Contributed surplus' is used to record the capital contributions from shareholders.

'Cumulative loss' is used to record the Company's change in deficit from year to year.

16. SHARE BASED PAYMENT RESERVE

a) Option plan details

The Company has an incentive option plan for certain employees, officers, directors and consultants. The purpose of the plan is to attract, retain and motivate those employees, officers, directors and other individuals or entities integral to the Company's success. Options issued under the plan vest over periods not exceeding three years and all options must be exercised over specified periods not to exceed five years from the date granted. The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten per cent of the total number of common shares outstanding immediately prior to such an issuance. At September 30, 2013, 226,654 (December 31, 2012: 100,154) common shares remained reserved for issuance under the plan. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed five per cent of the total number of common shares outstanding immediately prior to such an issuance. The exercise price of the options is fixed by the Board of Directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

The continuity of the Company's outstanding and exercisable options for the nine months ended September 30, 2013 and the year ended December 31, 2012 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2012	312,800	$ 6.50
Expired	(7,000)	$ 62.86
Cancelled	(119,500)	$ 6.07
Outstanding at September 30, 2013	186,300	$ 4.76
Exercisable at December 31, 2012	192,700	$ 8.50
Exercisable at September 30, 2013	170,233	$ 4.92

16. SHARE BASED PAYMENT RESERVE (CONTINUED)

The following table summarizes information about the options outstanding and exercisable at September 30, 2013:

Exercise Price	Options Outstanding				Options Exercisable		
Ranges at September 30, 2013	Numbers Outstanding	Remaining Life Life		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercisable Price
\$3.00 - \$4.00	97,200	3.91	\$	3.00	81,133	\$	3.00
\$4.50 - \$5.50	43,300	2.75	\$	4.98	43,300	\$	4.98
\$6.00 - \$8.50	20,200	2.66	\$	6.09	20,200	\$	6.09
\$9.00 - \$9.50	15,600	1.74	\$	9.50	15,600	\$	9.50
\$10.00 - \$45.00	10,000	1.02	\$	10.75	10,000	\$	10.75
September 30, 2013	186,300	3.49	\$	4.76	170,233	\$	4.92

b) Fair value of options issued during the period

There were nil options granted in the period ended September 30, 2013 (year-ended December 31, 2012: 7,975,000; period ended September 30, 2012: 7,975,000). The stock-based compensation expense for the three and nine months ended September 30, 2013 was \$(53) and \$49,463 respectively (three and nine months ended September 30, 2012: \$172,649 and \$261,573), relating to the amortization of expense related to stock options issued in current and prior periods. Of this amount, \$(3,444) and \$11,075 was allocated to site operational expenses for the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2013: \$45,658 and \$60,717) with the balance allocated to corporate general and administration.

The option reserve value of \$686,128 is included in equity as the Stock-based payment reserve. This represents the fair value of share options outstanding as at September 30, 2013.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted included the expected price volatility, which is based on the historic volatility (based on the expected life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The fair value of stock options granted during the period ended September 30, 2013 and the year ended December 31, 2012 was estimated using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2013	December 31, 2012
Risk-free interest rate	n/a	1.39%
Expected life	n/a	5 years
Expected volatility in the	n/a	124%
Expected dividend yield	n/a	0%
Weighted average fair value	n/a	\$0.05

17. RELATED PARTY TRANSACTIONS

As at September 30, 2013, JJNICL, through its wholly-owned subsidiary JIIL, is the Company's majority shareholder. Transactions with these entities are detailed in Note 12.

The Company acquired a vehicle from the former president of the Company, Mr. Christopher Stewart, at a cost of $12,500 during the nine months ended September 30, 2013.

Through Forbes & Manhattan, Inc. ("Forbes"), the Company receives access to mining and business professionals, including the Chief Executive Officer and Chief Financial Officer of the Company. In addition, the Company receives strategic advice from Mr. Stan Bharti, the Executive Chairman of Forbes. An administration fee of $100,000 per month is charged by Forbes which includes amounts paid to various corporate professionals, including the Chief Executive Officer and Chief Financial Officer of the Company.

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. For the periods presented, key management personnel compensation comprised the following:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Short-term benefits	$ 146,295	$ 369,942	$ 1,340,096	$ 1,200,165
Share Based Payments	$ -	$ 264,983	$ -	$264,983

Severances were paid or accrued to the former management team during the nine months ended September 30, 2013 totalling approximately $685,000.

See Note 24, Events After the Reporting Date.

18. LOSS PER SHARE

Basic losses per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

The basic and diluted losses per share are the same as dilutive instruments are anti-dilutive in the periods presented.

19. OPERATING COSTS

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Site costs	$ 1,821,091	$ 5,791,189	$ 3,272,514	$ 16,500,376
Insurance	157,897	-	157,897	-
Amortization	165,321	1,439,306	4,293,934	4,383,594
Depletion	-	1,065,008	-	2,761,028
Accretion	26,085	21,599	78,255	60,990
Stock based compensation	(3,443)	45,658	11,075	60,717
Total operating costs	$ 2,166,951	$ 8,362,760	$ 7,813,675	$ 23,766,705

20. CORPORATE GENERAL ADMINISTRATION

Corporate general administration overhead totals are detailed below.

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Compensation	$ 106,899	$ 369,661	$ 875,857	$ 1,234,980
Consultants	350,083	396,119	564,600	995,393
Legal fees and settlements	29,652	113,159	120,158	303,570
General office expense	33,425	23,750	103,005	175,368
Board and AGM	16,651	3,767	72,146	44,186
Stock based compensation	3,390	126,991	38,388	200,856
Travel	8,103	33,493	29,678	120,071
Insurance	(98,091)	95,121	24,893	225,231
Relocation	(247)	128,233	2,026	172,322
Royalties	-	122,905	1,683	180,076
Penalties	(7,869)	54	(193,873)	266,266
Total	$ 441,996	$ 1,413,253	$ 1,638,561	$ 3,918,319

21. CAPITAL MANAGEMENT

The Company monitors its common shares, preferred shares, stock options and debt facilities with shareholders as capital. The Company's objective when maintaining capital is to maintain a sufficient capital base in order to meet its short-term obligations.

The Company is not exposed to any externally imposed capital requirements.

22. COMMITMENT AND CONTINGENCIES

The Company has entered into an office lease agreement and is committed to the following minimum operating lease payments.

	Less than 1 Year	One to Five Years	Over Five years	Total
September 30, 2013	$116,695	$0	$0	$116,695

23. EQUIPMENT FINANCING AND OBLIGATIONS UNDER LEASES

The schedule below is the equipment financing and lease commitments for its capital equipment under various finance leases. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. The leases have varying completion dates and range in interest rates from 2.1% to 8.43%. Interest related to lease obligations expensed during the three and nine months ended September 30, 2013 was $4,017 and $20,816 (three and nine months ended September 30, 2012 - $16,456 and $36,803).

(i) Minimum lease payments

For the period ending:		September 30, 2013		December 31, 2012
No later than 1 year	$	111,408	$	473,401
Later than 1 year, but no later than 5 years		67,701		138,310
		179,109		611,711
Less: future finance charges		(10,209)		(28,590)
Present value of minimun lease payments	$	168,900	$	583,121

(ii) Present value of minimum lease payments

For the period ending:		September 30, 2013		December 31, 2012
No later than 1 year	$	103,899	$	452,675
Later than 1 year, but no later than 5 years	$	65,001	$	130,446
	$	168,900	$	583,121

24. EVENTS AFTER THE REPORTING DATE

Subsequent events not disclosed elsewhere in these condensed interim consolidated financial statements include:

In October 2013, the Company entered into a definitive agreement with QMX Gold Corporation ("QMX") to acquire a 100% interest in the Snow Lake Property through the acquisition of QMX's 100% wholly-owned subsidiary for cash consideration of US$20,000,000. A deposit of US$1,000,000 was paid to QMX. The remaining balance will be paid on closing of the transaction, which is expected to be November 28, 2013. The Company may extend closing until January 14, 2014 by paying QMX an extension fee of US$100,000. Closing of the transaction remains subject to the Company receiving all regulatory approvals and securing the necessary financing. Mr. David Rigg, the CEO and President of Northern Sun, is a director and the former CEO and President of QMX. Mrs. Deborah Battiston, the CFO of Northern Sun, is the current CFO of QMX.

The Company announced the launch of a private placement financing of up to 50,000,000 subscription receipts at a price of $0.60 per subscription receipt for gross proceeds of $30,000,000. Each subscription receipt will automatically be exchangeable for a unit of the Company without any additional payment or further action on the part of the holder, subject o certain escrow release conditions. Each unit of the Company will comprise of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at a price of $0.75 for a period of twelve months from closing. JIIL will participate in the offering to maintain its prorata 60% interest in the Company on a partially diluted basis upon completion of the offering. The Company intends to use the net proceeds to fund the consideration for the acquisition of the Snow Lake Property. Closing of this financing is expected to occur on or before November 30, 2013 and is subject to a number of conditions, including the receipt of all regulatory approvals.

The Company issued 1,265,881 common shares in November 2013 as part of the settlement of accounts payable. See Note 11.

The Company converted a portion of the existing debt held by JIIL to 1,900,000 common shares, which were issued in November 2013. As a result of this conversion, JIIL maintains a 60% interest in the Company in light of the shares issued for debt settlement.