NORTHERN SUN MINING CORP.

(formerly Liberty Mines Inc.)

Management's Discussion and Analysis
For the nine months ended September 30, 2014

Liberty Mines Inc. changed its name to Northern Sun Mining Corp. in October 2013 as approved by shareholders on October 15, 2013. This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Northern Sun Mining Corp. ("Northern Sun" or the "Company") was prepared to enable the reader to assess material changes in the financial condition and results of operations of the Company for the three and nine months ended September 30, 2014, in comparison to the corresponding prior-year periods. This MD&A is prepared as at November 28, 2014, and is intended to supplement and complement the condensed interim consolidated financial statements for the three and nine months ended September 30, 2014. The condensed interim consolidated financial statements for the period ended September 30, 2014 have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and will be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. This MD&A should also be read in conjunction with the Company's annual audited consolidated financial statements and MD&A for the twelve months ended December 31, 2013. This MD&A contains certain forward-looking statements based on management's current expectations (please see "Forward-Looking Information" below). All references to dollars herein are in Canadian dollars unless otherwise specified.

References made to Q1-, Q2- and Q3-2014 or Q1-, Q2- and Q3-2013 refer to the three months ended March 31, June 30 and September, 2014 and 2013, respectively.

Overview

Northern Sun (TSX: NSC) owns two former producing nickel mines, a large prospective land package and the only nickel mill and concentrator in the Shaw Dome area located near Timmins, Ontario. Northern Sun has a 100% interest in three major groups of contiguous mining claims and leases in northern Ontario, including over 12,000 ha in the Shaw Dome Nickel Belt, which is 25km southeast of Timmins; 6,400 ha in Groves Township in a Nickel-Copper-Platinum Group metals project area 20km southeast of Gogama; 1,200 ha in the McAra Lake area in a Cobalt-Nickel-Copper project about 120 km southeast of Timmins; and the Hart nickel project located approximately 7km east of the Redstone nickel mine in Eldorado Township.

In early 2013, Northern Sun announced that it had identified the presence of chrysotile in its ore body at the McWatters Mine. As chrysotile, a form of asbestos, is a designated substance under Ontario Health and Safety Regulation, the Company appointed JMX Environmental Inc. to lead the process of remedying the asbestos contamination at the Redstone and McWatters sites. The asbestos remediation program was completed in December 2013 and the order to suspend activities at site was revoked by the Ministry of Labour.

During the nine months ended September 30, 2014, Northern Sun ramped up its mill and commenced commercial production in July 2014. The Company recognized that it had an immediate need for additional cash to fund its mill startup costs and its current payables. Jien International Investment Ltd. ("JIIL"), Northern Sun's largest shareholder, and the holder of in excess of $151.0 million of indebtedness has provided financing support to allow Northern Sun to continue as a going concern by funding $3.62 million during the nine months ended September 30, 2014.

2014 Highlights through the date of this report

On March 20, 2014 the Company entered into a definitive agreement with Wallbridge Mining Company Limited ("Wallbridge") to provide for the custom milling of ore from Wallbridge's Broken Hammer mine. Pursuant to the terms of the agreement, the Company is responsible for the handing and milling of ore. The agreement is for approximately a one year term based on a minimum of 800 tonnes per day. The Company generates both a gravity concentrate and a floatation concentrate which is then conveyed to other smelters or refineries for further treatment. Waste from the ore after processing is disposed of in the current tailings compound. Pursuant to the agreement, the Company received $500,000 from Wallbridge as a start-up fee to cover specific mill restart costs.

The Company began generating revenue during Q3-2014 from its contract with Wallbridge.

Approximately $23.4 million in preferred shares and accrued dividends are considered a current liability in the financial statements, with $128.0 million in interest bearing notes and borrowings classified as long-term as at September 30, 2014.

The Company entered into a definitive agreement in October 2013 with QMX Gold Corporation ("QMX") to acquire a 100% interest in the Snow Lake Property for cash consideration of US$20,000,000, of which a deposit of US$1,000,000 was paid to QMX. Closing of the transaction remained subject to the Company receiving all regulatory approvals, including shareholder approval, and the Company securing the necessary financing to fund the acquisition. In July 2014 the Company and QMX agreed to an extension of the closing date of the transaction to September 30, 2014. Effective September 30, 2014, there were no further extensions and therefore the agreement terminated.

Summary of Consolidated Financial Results

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue	$ 2,202,865	$ -	$ 2,202,865	$ 56,920
Operating costs				
Cost of sales	2,076,466	-	2,076,466	-
Care and maintenance	-	509,732	646,926	1,953,401
Standby costs	-	-	880,758	-
Insurance	82,328	157,897	198,594	157,897
Asbestos remediation	-	1,311,360	-	1,319,113
Operating Margins before Non Cash Costs	44,071	(1,978,989)	(1,599,879)	(3,373,491)
Depreciation & accretion	1,345,120	191,406	2,244,572	4,372,189
Stock-based compensation	1,930	(3,444)	4,459	11,075
Operating (loss)	$ (1,302,979)	$ (2,166,951)	$ (3,848,910)	$ (7,756,755)
Corporate administrative expenses	461,921	448,673	441,499	1,668,937
Interest on long-term debt	4,077,344	2,908,501	11,578,137	8,088,114
Dividends on preferred shares	330,263	329,360	980,019	977,341
Interest and other Income	(17,392)	-	(52,201)	(89,656)
Foreign exchange loss/(gain)	1,341,328	(498,210)	1,376,569	766,218
Loss/(gain) on sale of equipment	64,086	-	(30,994)	(38,849)
(Gain) on debt forgiveness	(19,487)	(136,842)	(122,810)	(136,842)
Mining tax expense	-	3,769	-	3,769
(Loss) for the period	$ (7,541,042)	$ (5,222,202)	$ (18,019,129)	$ (18,995,787)

For the quarter ended September 30, 2014

Net loss for the three months ending September 30, 2014 was $7,541,042 (three months ended September 30, 2013: $5,222,201). Operating margin before non-cash costs for the three months ended September 30, 2014 was $44,071 compared to $(1,978,989) for the three months ended September 30, 2013.

Revenue

For the three months ended September 30, 2014, the Company started generating revenues, earning $2,202,865 in revenues from custom milling. For the comparative period in 2013, the Company had ceased production, earning $nil in revenues.

Operating Costs

The Company incurred costs of sales of $2,076,466 for the three months ended September 30, 2014 (Q3-2013: $nil). Custom milling began on July 9th. The average cash cost per tonne of custom milling was approximately $40 for Q3-2014. During the comparative quarter ended September 30, 2013, the Company incurred care and maintenance costs of $509,732. During this period, the Company was no longer in production and its labour force was reduced. The Company incurred $1,311,360 during Q3-2013 in asbestos remediation costs. Insurance costs were reclassified as site costs during Q3-2013 resulting in a higher insurance costs during this period compared to the current period.

Depreciation and accretion of operating assets for the three months ended September 30, 2014 totaled $1,345,120 compared to $191,406 for the three months ended September 30, 2013. As a result of the start of custom milling, the Company's depletion of its tailings asset on a unit of production basis has generated a higher depreciation cost for Q3-2014 compared to Q3-2013 where changes in the life of various assets resulted in a low depreciation cost.

Corporate Administration

The Company incurred $461,921 in corporate administration expenditures for the three months ended September 30, 2014 compared to $448,673 for the three months ended September 30, 2013 as detailed in the following table.

Salaries and compensation
Consultants
Legal fees and settlements
Audit fees
General office expense
Shareholder communications
Board fees
Stock-based compensation
Travel
Insurance
Royalties
Penalties
Accrual Reversals:
Salaries, Consultants and Penalties
Total

Pursuant to the restructuring of the Company in June 2013, the Company retained the services of Forbes & Manhattan, Inc. ("Forbes"), whereby an administration fee of $100,000 per month is charged to the Company. This fee includes compensation amounts for various officers of the Company in addition to corporate overheads such as rent, office supplies and accounting, legal, IT and administrative support staff. Salary expense has significantly reduced in Q3-2014 compared to Q3-2013 as a result of severances incurred during Q3-2013. Legal fees and settlements include costs incurred as the Company defended and settled certain lawsuits. Insurance costs are higher in Q3-2014 because costs associated with insuring the mill and mine property were allocated to site costs in Q3-2013 generating a credit for this period.

Stock-based Compensation Expense

During the three months ended September 30, 2014 and 2013, the Company did not grant stock options, however options did vest during these periods. Stock-based compensation expense is applied on a proportionate basis to site costs and corporate general and administration. During the three months ended September 30, 2014, the Company recognized an expense of $3,222 compared to $(53) for the three months ended September 30, 2013, related to costs of gradual vesting. For the three months ended September 30, 2014, the Company applied $1,930 to site costs (three months ended September 30, 2013: $(3443)) and $1,292 to corporate general and administration costs (three months ended September 30, 2013: $3,390).

Finance Costs

Total finance costs for the three months ended September 30, 2014 were $4,407,607 ($3,237,862 for the three months ended September 30, 2013). Included in total finance costs for the three months ended September 30, 2014 was interest expense on the JIIL debt of $4,077,344 (three months ended September 30, 2013: $2,908,502). Interest costs have increased as a result of continued borrowings and compounding, as well as an increased discount rate used to fair value the debt. The Company also accrued dividends of $330,263 for the three months ended September 30, 2014 on preferred shares owned by JIIL (three months ended September 30, 2013: $329,360). The preferred shares pay an 8% cumulative annual dividend to JIIL. The dividends accrue on a quarterly basis.

Foreign Exchange Gains and Losses

The Company recognized a foreign exchange loss of $1,341,328 during the three months ended September 30, 2014 compared to a gain of $498,210 for the three months ended September 30, 2013. These gains and losses were primarily the result of exchange rate fluctuations applied to debt obligations that are denominated in US dollars. The US dollar strengthened during the third quarter of 2014 from Q2-2014 resulting in the gain. In Q3-2013, the US dollar weakened resulting in a foreign exchange gain.

Interest and other Income

In Q3-2014, the Company accrued quarterly interest on its reclamation deposits with the Ministry of Finance.

Gain/loss on sale of equipment

The Company recognized a loss of $64,086 for the three months ended September 30, 2014 (three months ended September 30, 2013: $nil) related the sale of various pieces of equipment. Net proceeds received were $270,000 for Q3-2014 (Q3-2013: $nil).

Debt forgiveness

The Company recognized a gain of $19,487 for the three months ended September 30, 2014 (three months ended September 30, 2013: $136,842) related to debt forgiveness as the Company negotiated settlements for outstanding accounts payable.

For the nine months ended September 30, 2014

Net loss for the nine months ending September 30, 2014 was $18,019,129 (nine months ended September 30, 2013: $18,995,787). Operating margin before non-cash costs for the nine months ended September 30, 2014 was $(1,599,879) compared to $(3,373,491) for the nine months ended September 30, 2013.

Revenue

For the nine months ended September 30, 2014, the Company earned $2,202,865 in revenues from custom milling, which commenced in July 2014. For the comparative period in 2013, the Company had ceased production, and earned $56,920 in revenues from residual metal balances previously shipped from 2012 production.

Operating Costs

The Company commenced the year in care and maintenance, incurred standby costs during Q2-2014 as work was completed to start up the mill, and incurred cost of sales during Q3-2014 with the commencement of custom milling in July 2014. The Company incurred care and maintenance costs of $646,926, standby costs of $880,758 and cost of sales $2,076,466 during the nine months ended September 30, 2014. Costs of sales include the costs for labour, mill management, reagents and grinding media, fuel and hydro and equipment maintenance. During the comparative period ended September 30, 2013, the Company incurred care and maintenance costs of $1,953,401. During this period, the Company was no longer in production and its labour force was reduced during the nine month period. The Company also incurred costs for asbestos remediation of $1,319,113 during 2013.

Depreciation and accretion of operating assets for the nine months ended September 30, 2014 totaled $2,244,572 compared to $4,372,189 for the nine months ended September 30, 2013. The Company continues to depreciate assets however as a result of the changes in estimate of the lives of various assets, depreciation expense decreased significantly this period compared to 2013.

Corporate Administration

The Company incurred $441,499 in corporate administration expenditures for the nine months ended September 30, 2014 compared to charges of $1,668,937 for the nine months ended September 30, 2013 as detailed in the following table.

	Nine months ended	
	September 30, 2014	September 30, 2013
Salaries and compensation	$ 9,481	$ 1,219,730
Consultants	672,968	535,400
Legal fees and settlements	347,863	120,158
Audit fees	47,088	29,200
General office expense	106,470	135,407
Shareholder communications	64,648	28,646
Board fees	-	43,500
Stock-based compensation	8,816	38,388
Travel	9,131	29,678
Insurance	26,835	24,893
Royalties	-	1,683
Penalties	792	2,633
Accrual Reversals:		
Salaries, Consultants and Penalties	(852,593)	(540,379)
Total	$ 441,499	$ 1,668,937

Approximately $853,000 incurred in 2013 was reversed in 2014 as a result of reversed consulting accruals and ministry penalties. Accruals for bonuses and penalties accrued in 2012 were reversed in Q1-2013. Pursuant to its restructuring, the Company retained the services of Forbes & Manhattan, Inc. ("Forbes") in mid 2013, whereby an administration fee of $100,000 per month was charged during 2014 (2013: $100,000 commencing June 2013). This fee includes compensation amounts for various officers of the Company in addition to corporate overheads such as rent, accounting, legal, IT and administrative support staff. Legal fees and settlements include a settlement provision related to litigation against the company as well as fees to defend against various litigation. Shareholder communications costs were higher for the nine months ended September 30, 2014 compared to the same period in 2013 as a result of listing costs as the Company commenced trading on the TSX Venture Exchange.

Stock-based Compensation Expense

During the nine months ended September 30, 2014 and 2013, the Company did not grant stock options, however options did vest during these periods. Stock-based compensation expense is applied on a proportionate basis to site costs and corporate general and administration. During the nine months ended September 30, 2014, the Company recognized an expense of $13,275 compared to $49,463 for the nine months ended September 30, 2013, related to costs of gradual vesting. For the nine months ended September 30, 2014, the Company applied $4,459 to site costs (nine months ended September 30, 2013: $11,075) and $8,816 to corporate general and administration costs (nine months ended September 30, 2013: $38,388).

Finance Costs

Total finance costs for the nine months ended September 30, 2014 were $12,558,156 ($9,065,455 for the nine months ended September 30, 2013). Included in total finance costs for the nine months ended September 30, 2014 was interest expense on the JIIL debt of $11,578,137 (nine months ended September 30, 2013: $8,088,114). Interest costs have increased as a result of continued borrowings and compounding as well as a higher discount rate used to fair value the debt. The Company also accrued dividends of $980,019 for the nine months ended September 30, 2014 on preferred shares owned by JIIL (nine months ended September 30, 2013: $977,341). The preferred shares pay an 8% cumulative annual dividend to JIIL. The dividends accrue on a quarterly basis.

Foreign Exchange Gains and Losses

The Company recognized a foreign exchange loss of $1,376,569 during the nine months ended September 30, 2014 compared to $766,218 for the nine months ended September 30, 2013. These losses were primarily the result of exchange rate fluctuations applied to debt obligations that are denominated in US dollars. The US dollar strengthened during both periods.

Interest and other Income

In 2014, the Company sold spare supplies resulting in income and accrued interest on its reclamation deposits. This was offset by miscellaneous interest charges. In 2013, the Company earned equipment rental income of approximately $89,000.

Gain on sale of equipment

The Company recognized a gain of $30,994 for the nine months ended September 30, 2014 (nine months ended September 30, 2013: $38,849) related the sale of various pieces of equipment. Net proceeds received were $418,000 for 2014 (2013: $50,842).

Debt forgiveness

The Company recognized a gain of $122,810 for the nine months ended September 30, 2014 (nine months ended September 30, 2013: $136,842) related to debt forgiveness. The Company settled outstanding accounts payable through the issuance of a combination of cash and shares.

Consolidated Financial Position

Cash

Earlier in 2014, a creditor received a judgment in the Ontario Superior Court of Justice in the amount of $1.2 million. In June 2014, the Company and the Company's bank received a notice of garnishment resulting in an order to pay approximately $905,000 to the creditor. During Q3-2014, the Company settled with this creditor with an agreement to pay approximately $874,000 and as a result the garnishment notice was terminated on September 30, 2014. The payment was made in early October 2014, just subsequent to the end of the quarter.

Trade and other receivables

Receivables decreased by $954,685 to $1,277,999 at September 30, 2014 from $323,315 at December 31, 2013. The increase results from the commencement of custom milling with sales on credit .

Inventories

Inventories on hand totaled $652,142 at September 30, 2014 compared to $438,407 as at December 31, 2013. Inventories are comprised of materials and supplies and have increased during 2014 as the Company's custom milling operations began.

Other current assets

Other current assets decreased by $118,588 to $1,244,848 at September 30, 2014 from $1,363,436 at December 31, 2013. Prepaid expenses including insurance costs were expensed during the period resulting in a decrease, but this was partly offset by deposits against purchased equipment. As well, legal costs related to the proposed acquisition of the Snow Lake property were expensed as the agreement terminated at September 30, 2014.

Reclamation deposits and restricted cash

Reclamation deposits and restricted cash increased to $3,239,091 at September 30, 2014 from $3,186,915 at December 31, 2013 as a result of interest accruals recorded for the deposits. At September 30, 2014 the reclamation deposits are comprised of deposits with a government agency in the Province of Ontario for the Redstone mine, the Hart mine, the Redstone mill and the McWatters mine. Reclamation deposits are subject to reassessment based upon changes to the underlying mine reclamation and site restoration obligation as a result of updated environmental plans and changes in environmental laws and regulations. The Company plans to commence rehabilitation of the McWatters mine site this year.

Exploration and evaluation

Exploration and evaluation accumulated expenditures totaled $11,170,086 at September 30, 2014 compared with $11,086,636 at December 31, 2013. The Company is maintaining its exploration properties and all are in good standing. Small exploration programs on the Groves and McAra properties commenced in August 2014.

Plant and equipment

Plant and equipment decreased by $1,964,923 to $31,253,210 at September 30, 2014 from $33,218,133 at December 31, 2013. The Company recorded $2,244,572 in depreciation expense during the nine months ended September 30, 2014 accounting for the decrease. As well, the Company incurred $570,013 in cash additions to plant and equipment with work on an expanded pump house, further work on the tailings storage facility expansion as well as assets acquired for mill-startup. The Company also acquired vehicles through capital leases of $65,151.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by $923,261 to $2,937,583 at September 30, 2014 from $3,860,844 at December 31, 2013. During 2014, the Company settled accounts payable through cash payments of $135,010 and the issuance of shares. The Company also reversed certain consulting and penalty accruals for approximately $850,000.

Preferred shares and accrued dividends

Preferred shares liability remained unchanged at $16,378,516 during the period ended September 30, 2014. The preferred shares are subject to redemption on demand by JIIL and have therefore been classified as a current liability. While the preferred shares are treated for accounting purposes as a current liability, they may not be redeemed and no dividends may be paid until such time as the Company has positive working capital and positive shareholder equity. The preferred share dividend liability increased by $980,018 to $7,012,108 at September 30, 2014 from $6,032,090 at December 31, 2013. The preferred shares pay an 8% cumulative dividend to the holder of the preferred shares. The dividends are accrued on a quarterly basis. No dividends were paid during 2014.

Term Loans - JIIL

The term loans itemized in the table below increased by $9,530,906 to $127,976,360 at September 30, 2014 from $118,445,454 at December 31, 2013. The increase is driven by the financing provided by JIIL in the format of promissory notes. The notes have an annual interest of 10% on the principal balances. During the nine months ended September 30, 2014 the Company received $3,620,127 in additional financing, and accrued interest expense of $11,527,137. During 2014, the Company issued shares with a value of $66,000 to reduce the principal on this debt. As well, $7,001,843 was recorded in 2014 to discount the loan balances to fair value. The Company entered into an agreement with JIIL on December 31, 2013 extending the term of these loans to December 31, 2015. As a result, they are classified as long-term as at September 30, 2014.

	September 30, 2014	December 31, 2013
Non-current		
US Dollar Term Loan -- JIIL	**$ 28,891,352**	$ 26,432,471
Term Loans - JIIL	**99,085,008**	92,012,983
Total	**$ 127,976,360**	$ 118,445,454

Capital Lease Obligations and Equipment Financing

Capital lease obligations and equipment financing (current and non-current portions) decreased by $3,073 to $127,427 at September 30, 2014 from $130,500 at December 31, 2013. The Company entered into two new vehicle leases for periods of 48 months during the nine months ended September 30, 2014.

Provisions

Site restoration obligations totaled $2,152,711 at September 30, 2014 from $2,121,220 at December 31, 2013, the increase being a result of accretion. The Company reviews its estimates for site restoration obligations on an annual basis or more frequently if required by regulatory authorities. An inflation rate of 1.1% and a risk adjusted discount rate ranging from 1.1% to 3.24% was utilized to determine the present value of the mine closure and site restoration obligation recorded on the consolidated statements of financial position.

Share capital

Share capital increased by $147,657 to $80,684,320 at September 30, 2014 from $80,536,663 at December 31, 2013. The Company issued shares as part of debt settlement arrangements with vendors and JIIL during 2014.

Contributed surplus

Contributed surplus increased by $7,001,843 to $11,607,254 from $4,605,411 as a result of discounting of the JIIL loans to fair value. As the transactions are with a shareholder in its capacity as a shareholder, the adjustments are capital in nature and recorded to contributed surplus.

Share based payments reserve

Share based payments reserve decreased to $501,025 at September 30, 2014 as a result of the expiry of stock options, partially offset by the vesting of stock options during 2014.

Summary of Consolidated Quarterly Results

($ thousands, except per share data)

	2014			2013				2012
Quarter	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	$ 2,203	$ -	$ -	$ -	$ -	$ 28	$ 29	$ (270)
Net Loss	$ 7,541	$ 5,246	$ 5,232	$ 9,916	$ 5,222	$ 7,618	$ 6,156	$ 37,612
Loss per Share	$1.00	$ 0.70	$ 0.70	$ 1.69	$ 1.26	$ 1.84	$ 1.50	$ 9.00

The Company ceased commercial production in Q4-2012, recognizing revenue adjustments during that period and revenue on residual metals during Q1- and Q2-2013. In Q3-2014, the Company commenced custom milling earning revenue during that period. Net loss increased significantly in Q4-2012 as a result of write-downs of the Company's mineral properties. During 2013, the Company continued to depreciate its assets contributing to net loss. As well, financing costs on the Company's debt with JIIL averaged over $3 million per quarter. The increase in Q4-2013 results from the reclassification of asbestos remediation costs from capital to expense. Net loss increased during Q3-2014 as a result of higher non-cash depreciation costs charged against custom milling revenues. The Company has experienced variability in its earnings as a result of the fluctuation in nickel prices, which affects production decisions, and the discovery of asbestos at the mine site. Continued variability will result in the ability of the Company to secure additional custom milling contracts.

Cash Flow and Liquidity

Funds used by operations before changes in non-cash working capital for the nine months ended September 30, 2014 was $1,980,628 compared to $5,586,121 for the nine months ended September 30, 2013. This reduction of cash use is a result of a combination of the commencement of custom milling generating revenues, lower site costs and lower corporate general and administration costs incurred during 2014 compared to 2013. Cash used by the change in working capital for the nine months ended September 30, 2014 was $1,837,712 compared to a source of $930,435 for the nine months ended September 30, 2013 respectively. Increases in working capital are a result of decreases in receivables and increases in payables and conversely, decreases in working capital are a result of increases in receivables and decreases in payables.

Investing activities used $194,370 during the nine months ended September 30, 2014 (September 30, 2013: $2,227,051. In 2014, the Company received $500,000 as a start-up fee from Wallbridge to cover costs that the Company would be required to incur to re-start the mill (2013: $nil). The Company incurred expenditures of $500,000 during 2014 (2013: $nil) that has been applied against the start-up fee. The Company invested in capital assets during 2014 spending approximately $570,000, which included work on an expanded pump house, the tailings expansion project as well as equipment required for the start up of the mill (2013: $2,232,741). During the nine months ended September 30, 2014, the Company incurred $83,450 in exploration and property maintenance costs for its exploration properties, compared to $164,059 incurred during the nine months ended September 30, 2013.

During the nine months ended September 30, 2014, JIIL, as described in the executive section of the MD&A, provided Northern Sun with $3,620,127 (2013: $7,304,174) in further advances under the existing facility. The principal bears interest at 10%. The interest is capitalized monthly on the unpaid balance. Certain interest accruals are subject to shareholder ratification at the next annual meeting.

The Company has continued to rely on advances from JIIL during 2014 and will continue to do so until the custom milling program commences generating revenues and sufficient cash flow from operations can be realized.

Mine Operations

History of Production

The Company was formed in 2001. By 2005 the Company had grown through mergers and acquisitions to own several Nickel deposits and exploration properties principally in the Shaw Dome area, 30 km. Southwest of Timmins, Ontario.

During the period 2005 to 2012 the Company constructed and permitted a 1500 tpd Floatation Mill and Processing Facility to process ores mined from Nickel deposits in the Shaw Dome. Exploration and mine development programs focused on the Redstone, McWatters and Hart deposits. Resources and reserves at the three deposits were increased through surface exploration and Nickel ores were mined from the Redstone and McWatters Mines for processing at the new Redstone Mill.

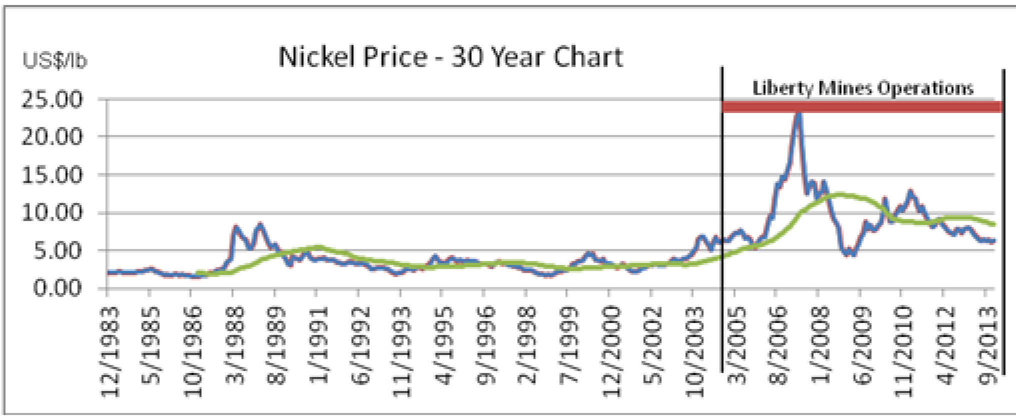

Figure 1. Chart showing Month-end Spot Nickel Price with trend (Green) of 3 yr backward-looking price average

The company operated through two challenging periods of strong Nickel Price variations, please see Figure 1.

- Construction of the Redstone Mill started mid-year 2006 and the Mill was commissioned in Q3-2007. The mill processed ore from the dewatered Redstone Deposit until decreasing metal prices related to the worldwide financial breakdown in late 2008, forced the closure of operations during Q4-2008 to Q2-2009;
- Operations resumed in Q3-2009 with increasing metal prices and optimism around the prospect of added production from the developing McWatters Mine. Redstone Mine and McWatters Mine produced throughout 2010 however mining and milling was brought to an abrupt halt in early February 2011 due to problems and leakage in the Redstone tailings dam. The dam had also reached its permitted limit.
- Extensive revisions were made to the tailings dam in 2011 and approximately $12 million was spent fixing, reinforcing and increasing the height of the dam to increase storage capacity to allow the resumption of operations.
- Production resumed in Q2-2012 from ores mined at the Redstone and McWatters Mines.
- Nickel prices again decreased below economic levels in Q3-2012 and operations were again closed.
- The mines and mill have not operated since Q3-2012.
- In Q1-2013 the presence of Asbestos in the McWatters ore was discovered. This led to the Ministry of Labour closing the Mill.
- A major clean-up program was completed on Mill and Crusher during 2013 and in December 2013 the Mill was again given permission to operate.

Redstone Mine

The Redstone mine remains in care and maintenance mode in 2014.

McWatters Mine

In January 2013, Northern Sun announced that it had identified the presence of asbestos, more specifically chrysotile, in its ore body at its McWatters Mine. An asbestos abatement contractor was retained in 2013 to remediate all Northern Sun operations including the Redstone Mill. The abatement project was completed in December 2013. The Company announced that the McWatters Mine would be permanently shut down and closure plan activities are to commence in 2014.

Mill Operations

Mill operations were restarted on July 9th 2014. Approximately 54,000 tonnes of ore from Wallbridge's Broken Hammer deposit in Sudbury was toll processed in the period of July 1 to September 30, 2014. Thus far the mill has performed well in meeting expectations. Improvements are being made which will enhance metal recoveries above those targeted from earlier metallurgical studies. At the time of this report, a second gravity separation circuit was well underway and in construction with commissioning to start shortly. During the quarter, the mill was able to shut one of its 3 grinding mills down while still maintaining grinding and throughput targets operating on 2 grinding mills. The mill generates a gravity precious metal concentrate and a floatation concentrate. Floatation concentrate and gravity concentrate are processed to final metal outside of Northern Sun operations.

Exploration

Hart Project

Exploration diamond drilling at the Hart Project was suspended in August 2012 due to a downturn in market conditions. Exploration drilling remains in suspension at the end of the Q2-2014 reporting period. The Company in the meantime has updated computer systems and digital databases, reviewed and reassessed geophysical data for the property, generated exploration targets, and prepared exploration plans pending restart of field activities.

Other Properties

During 2014 the Company has maintained all current claims and leases. The limitations in the Company’s financial resources require that exploration activities be reduced. Small programs of surface exploration on both the Groves and McAra properties were started in August 2014.

The Company will maintain its exploration properties and keep them in good standing.

Revised Corporate Strategy in 2014 - Exploration

During 2014 our principal effort is focused on bringing the Redstone Mill back into operation as a Toll Mill and sourcing mill feed from various advanced exploration or early stage mine programs in the Timmins District. Income from Toll Milling will be used to support our operations in Timmins and to provide long term support to exploration in the region.

Exploration in 2014 will maintain all of our properties in good standing and we will conduct field work to ensure their renewal in 2015. Our efforts will be directed at developing a 3-D structural model of the Shaw Dome to provide added insight towards continued Nickel exploration.

Health and Safety

During the third quarter of 2014, the Company incurred 1 lost time injury, and the worker was back at work within 1 week of the injury.

All operations at the McWatters and Redstone Mine are currently in care and maintenance mode following the Company's decision to suspend operations due to low spot prices for nickel in 2012. The Company commenced its mill restart project in late Q1-2014 immediately following the announcement that a definitive agreement had been reached to provide custom milling services to a local mining company.

Northern Sun believes that “Zero Harm” to our people is achieved by creating a culture wherein the Health and Safety of our workers is a core value that inspires a strong personal commitment from each of our employees.

Environment

Redstone

During Q3-2014, the Redstone effluent discharge to East Creek continued to be shut down. With no effluent discharging to the receiving environment, both water quality and acute lethality samples were not collected during this period.

The Company continues to work with the Ministry of Northern Development, Mines to complete the amendment to the financial assurance required for the Redstone Mine Closure Plan.

The Company continues to operate its Redstone tailings storage facility without an approved emergency spillway and manages water levels via a Ministry approved water management strategy. The company remains committed to having the tailings storage facility's emergency spillway designed and approved under the Lakes and Rivers Improvement Act.

During the quarter there were three reportable spills at the Redstone milling facility. All followed Ministry of Environment reporting protocols and guidelines. There have been no subsequent actions by the ministry.

McWatters

During Q3-2014, the McWatters Mine effluent discharge to the Forks River continued to be shut down due to the care and maintenance status of the site which saw all dewatering activities halted.

The Company announced the permanent closure of the McWatters Mine in Q4-2013 due to the identification of asbestos, more specifically chrysotile. There has been no work undertaken at the site during the Q3-2014 period with regards to the closure plan.

There were no spills or effluent exceedances which required Regulatory notification during the Q3-2014.

First Nations

On April 15, 2008, the Company signed an Impact Benefit Agreement ("IBA") with the Mattagami, Matachewan and Wahgoshig First Nations ("MMW"). The IBA encompasses all of the Company's extensive mining claims and leases in the Shaw Dome Nickel Belt including the Redstone and McWatters Mines and the Hart nickel project. The IBA is in effect for the life of any mining project developed on the properties. It includes provisions for job training, employment, scholarships, business relationships and financial participation in community development projects. It also streamlines the exploration of the properties and the permitting of economic deposits through direct consultation and input from the MMW.

During Q3, 2014, the Company had its quarterly meeting with MMW. During the quarter, the IBA coordinator representing MMW was scheduled back on the Redstone site one day a week. Relations remain in good standing with MMW.

Capital Requirements and Capitalization

At September 30, 2014, the Company had obligations within one year to make payments of $7,012,108 (December 31, 2013: $6,032,090) of accrued dividends and $55,119 (December 31, 2013: $75,799) of minimum equipment financing and lease payments.

Contractual Obligations

The following table presents the Company's future payment obligations as at September 30, 2014:

	Payments Due				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	In excess of 5 Years
Accounts payable and accrued liabilities	$ 2,937,583	$ 2,937,583	$ -	$ -	$ -
Equipment financing and leases	$ 127,427	$ 55,119	$ 72,308	$ -	$ -
Notes Payable & Term Loan	$ 127,976,360	$ -	$ 127,976,360	$ -	$ -
Preferred Share Liability	$ 16,378,516	$ 16,378,516	$ -	$ -	$ -
Dividends - Preferred Shares	$ 7,012,108	$ 7,012,108	$ -	$ -	$ -
Total	$ 154,431,994	$ 23,445,743	$ 128,048,668	$ -	$ -

The Company is committed to minimum lease payments under vehicle, equipment and property leases that expire at various dates through 2014 - 2017. Minimum rental commitments due under these capital leases over the next five years are disclosed in Note 12 of the Company's condensed interim consolidated financial statements for the nine months ended September 30, 2014.

The Company entered into two vehicle finance leases during Q3-2014. The Company will be required to make payments of approximately $62,000 over the next 48 months with respect to these new leases and is financing at an interest rate of approximately 6.5%.

Outstanding Share Data

In August 2013, the Company consolidated its common shares on a basis of one new common share for every 50 old common shares. The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As of September 30, 2014, 7,510,435 common shares of the Company were outstanding (December 31, 2013: 7,295,425).

As of September 30, 2014, 148,895,601 preferred shares of the Company were outstanding compared to 148,895,601 as of December 31, 2013. If these preferred shares were exercised, 2,977,912 common shares would be issued.

Certain employees, officers, directors and consultants of the Company have been granted options to purchase common shares under the Company's incentive stock option plan. At September 30, 2014, 121,100 (December 31, 2013 –128,100) exercisable options were outstanding.

Litigation

The Company is currently involved in a legal dispute with a former employee. Uncertainties relate to whether claims will be settled out of court or if not whether Northern Sun is successful in defending any action. Because of the nature of the dispute, 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 case brought against it.

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are measured at the fair value amount, which is the amount of consideration established and agreed to by the related parties.

As at September 30, 2014, JJNICL, through its wholly-owned subsidiary JIIL, is the Company's majority shareholder. Transactions with these entities are detailed in Notes 14 and 15 of the Company's condensed interim consolidated financial statements for the nine months ended September 30, 2014.

Through Forbes & Manhattan, Inc. ("Forbes"), the Company receives access to mining and business professionals, including various officers of the Company. In addition, the Company receives strategic advice from Mr. Stan Bharti, the Executive Chairman of Forbes. Starting from June 2013, an administration fee of $100,000 per month is charged by Forbes which provides for amounts to be paid to various corporate professionals, various officers of the Company as well as corporate overheads including rent, accounting, legal, communications, IT and administrative support staff. Subsequent to the end of the quarter, the agreement with Forbes was terminated.

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,	
	2014	2013	2014	2013
Short-term benefits	$ 36,250	$ 86,295	$ 115,000	$ 1,280,096
Share Based Payments	$ -	$ -	$ -	$ -

Mr. David Rigg, the President and CEO of the Company, and Mrs. Deborah Battiston, the CFO of the Company, are both officers of QMX.

Critical Accounting Estimates

In preparing the consolidated financial statements, various accounting estimates are made in applying the Company's accounting policies. These estimates require significant judgment on the part of management and are considered critical in that they are important to the Company's financial condition and results. The following represents the estimates that management considers most critical to the application of the Company's significant accounting policies. Actual results may differ by material amounts from these estimates.

Mineral Properties

Mineral reserves and resources are estimated to determine future recoverable mine production based on assessment of geological, engineering, and metallurgical analyses; estimates of future production costs; capital costs; mine closure and site restoration costs as well as metal prices and foreign exchange rates. The costs of mineral properties are capitalized and depleted on a unit-of-production basis based on the related proven and probable mineral reserves.

Exploration Evaluations

Exploration and evaluation expenditures associated with non-producing properties reflect actual costs incurred less accumulated write-downs. The realization of the Company's investments in these exploration and evaluation projects is dependent upon various factors, including the discovery of economically recoverable reserves of minerals, the ability to obtain necessary financing to complete development plans and upon future profitable operations, or alternatively upon the disposal of interests on an advantageous basis. The Company's management reviews the carrying values of its exploration and evaluation expenditures on a quarterly basis, which periodically results in an adjustment to reflect the realizable value of the projects.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The recoverable amount is determined based on value in use and/or fair value less cost to sell calculations. The calculation of the fair value less cost to sell requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

Deferred Income Taxes

The Company uses the asset and liability method of tax allocation for accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect in the years in which those temporary differences are expected to be recovered or settled.

Site Restoration Obligations

The Company records the fair value of any future site restoration costs as a long-term liability in the period in which the related environmental disturbance occurs, based on the net present value of the estimated future costs. The obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and the discount rate to be used.

Risks and Uncertainties

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 following outlines the principal risks facing the Company.

Going concern

The 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. The Company incurred a net loss of $18,019,129 during the nine months ended September 30, 2014 and, as of that date, had negative working capital of $23,112,370 (December 31, 2013 – $23,665,317), and a cumulative deficit of $200,443,961 (December 31, 2013 - $182,480,482). As such, the Company's ability to continue as a going concern is in significant doubt. The Company's mine was placed on care and maintenance on August 14, 2012.

The Company has only just commenced custom milling, with one customer at this time, and it continues to be substantially reliant on the support of JIIL, as it has been unable to acquire funding in the markets to date although it continues to pursue various alternatives. There is no assurance that JIIL will continue to financially support the Company. JIIL has agreed to provide additional financing support to allow Northern Sun to continue as a going concern.

The procurement of additional financing through debt or equity markets is dependent on a robust commodity market and investor confidence in commodity 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.

Liquidity Concerns and Future Financings

The Corporation will require significant capital and operating expenditures in connection with the development of its properties. There can be no assurance that the Corporation will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Corporation to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Corporation to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

The Corporation’s ability to meet its payment obligations will depend on its future financial performance, which will be affected by financial, business, economic and other factors. The Corporation will not be able to control many of these factors, such as economic conditions in the markets in which it operates. The Corporation cannot be certain that its existing capital resources and future cash flows from operations will be sufficient to allow it to pay principal and interest on the Corporation’s debt and meet its other obligations. If these amounts are insufficient or if there is a contravention of its debt covenants, the Corporation may be required to refinance all or part of its existing debt, sell assets, borrow more money or issue additional equity. The ability of the Corporation to access the bank public debt or equity capital markets on an efficient basis may be constrained by the dislocation in the credit markets, capital and/or liquidity constraints in the banking markets and equity conditions at the time of issuance.

Majority Shareholder and Significant Debt Holder

JIIL holds approximately 60% of the issued and outstanding share capital of the Corporation and through its debt facilities has secured a first ranking fixed charge over all of the assets of the Corporation. As the largest shareholder, JIIL has a majority of the voting rights in the Corporation. The exercise of voting rights associated with the Corporation may have a significant influence on the Corporation’s business operations. Although JIIL does not have any intention of selling its interest in the Corporation, in the event JIIL sold a portion of its position in the market in the future, it may have a significant influence on the share price of the Corporation, depending on market conditions at the time of such sale. As the significant debt holder of the Corporation, JIIL may have a significant influence over the operations of the Corporation in the event the Corporation is unable to meet its debt obligations. Currently, all loan obligations with JIIL have been extended to December 31, 2015.

Risks Inherent to Mining Projects at the Development and Production Stages

Mining projects in the development or early production stages have no significant operating history upon which to base estimates of future cash flows. It is possible that actual costs and economic returns may differ materially from the Company’s estimates. Therefore, there can be no assurance that estimates of future production and cash costs will be achieved. Further, it is not unusual in the mining industry for new mining operations to experience unexpected problems during start-up, resulting in delays and requiring more capital than anticipated.

Nature of Exploration, Development and Mining

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few of the properties explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, such as particular attributes of the deposit, including size, grade and proximity to infrastructure. In addition, metal prices are highly cyclical and government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection are subject to change and uncertainty. The combination of these factors may result in the Company not receiving an adequate return on invested capital. Mining operations generally involve a high degree of risk. The Company‘s operations are subject to the hazards and risks normally encountered in the exploration, development and production of ore. These include unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions will be taken to minimize risk, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The Company's activities are directed toward the search, evaluation and development of mineral deposits. Some of the mineral properties in which the Company has an interest contain no known body of commercial ore and any exploration programs thereon are exploratory searches for ore. Other properties in which the Company has an interest are subject to preliminary stages of exploration and development programs only. There is no certainty that the expenditures to be made by the Company as described herein will result in discoveries of commercial quantities of ore. Within the mining industry there is aggressive competition for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Uncertainty of Reserve and Resource Estimates

The figures for reserves and resources presented herein are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the expected level of recovery will be realized. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed metal prices and operating costs. Future production could differ dramatically from reserve estimates for, among other reasons:

- Mineralization or formations could be different from those predicted by drilling, sampling and similar examinations.
- Increases in operating mining costs and processing costs could adversely affect reserves.
- The recoverability of the grade of the reserves may vary significantly from time to time and there is no assurance that any particular level of metals or may be recovered from the ore.
- Declines in the market price of the metals and the Canadian US Dollar exchange rate may render the mining of some or all of the reserve uneconomic.

Any of these factors may require the Company to reduce its reserve estimates or increase its costs. Short-term factors such as the need for the additional development of a deposit or the processing of new different grades may impair the Company’s profitability. Should the market price of the metals fall, the Company could be required to materially write down its investment in mining properties or delay or discontinue production or development of new projects.

Government Regulation

The exploration activities of the Company are subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reductions in levels of production at producing properties or could require abandonment or delays in development of new mining properties.

Permits and Licenses

The exploitation and development of mineral properties may require the Company to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain all necessary permits and licenses that may be required to carry out exploration, development and mining operations on its properties.

Environmental Risks and Hazards

All phases of the Company’s operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company’s operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Production of mineral properties may involve the use of dangerous and hazardous substances. While all steps will be taken to prevent discharges of pollutants into the ground water or otherwise into the environment, the Company may become subject to liability for hazards that cannot be insured against. The Company is still investigating the implications of the discovery of asbestos in the ore at the McWatters Mine.

Commodity Prices and Foreign Exchange

The profitability of the Company will be significantly affected by changes in market price for metals and by changes in the US Canadian dollar exchange rate. The Company has not entered into any hedge agreements in respect of metal or currency at this time. Such contracts would mitigate gains and losses in situations when the price changed. The level of interest rates, the rate of inflation, world supply and demand of base metals and precious metals and stability of exchange rates can all cause significant fluctuations in base metal and precious metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of base metals and precious metals has fluctuated widely in recent years, and future serious price declines could cause continued commercial production to be impracticable. Depending upon the price of base metals and precious metals, cash flow from mining operations may not be sufficient to cover operating costs. Any figures for reserves presented by the Company will be estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the price of base metals and precious metals may render reserves uneconomical. Moreover, short term operating factors relating to the reserves, such as the need for orderly development of the ore bodies or the processing of new or different grades of ore, may cause a mining operation to be unprofitable in any particular accounting period.

Land Title

Although title to the Company’s mineral properties has been reviewed by or on behalf of Northern Sun and title opinions were delivered to the Company, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada, and the Company’s ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate the properties as permitted or to enforce its rights with respect to its properties.

Uninsured Risks

There can be no assurance that insurance will be available at economically feasible premiums. The Company’s insurance may not provide sufficient coverage for losses related to property, business interruption, or liability. In addition, the Company does not have insurance for certain environmental losses and other risks; as such coverage cannot be purchased at a commercially reasonable cost. The lack of, or insufficiency of insurance coverage could adversely affect the Company’s cash flow and overall profitability.

Competition

The Company competes with other mining companies and individuals for mining claims and leases on exploration properties and the acquisition of exploration and mining assets. The Company also competes with other mining companies to attract and retain skilled and experienced executives. The Company cannot ensure that it will be able to continue to compete successfully with its competitors in acquiring such properties and assets or in attracting and retaining skilled and experienced executives.

Reliance on Skilled Employees

The success of the mining and milling operations is dependent upon the efforts of certain skilled employees and management of the Company. The loss of these employees or the inability of the Company to attract and retain additional skilled employees, or an inability of the Company to maintain good relations with its employees may adversely affect the level of nickel production from the operations.

History of Losses

The Company has historically experienced only losses. The Company's ability to generate profits in the future will depend mostly on the success of the Company's mine and mill operations, metal prices, the Canadian and United States dollar exchange rate, and the ability of the Company to control costs. There can be no assurance that the Company will reach profitability or will even generate sufficient cash flow to sustain its operations in the future. The Company may need additional financing from time to time. There is no assurance sources of financing will be available at any such time.

Shortage of Supplies

The Company is dependent on various supplies and equipment to carry out mining operations. The shortage of such supplies, equipment and parts could have a material adverse effect on the Company's ability to carry out its operations.

Subsequent Events after Reporting Date

Subsequent to the end of the quarter and up to the date of this report, the Company received $1,383,422 in funding from JIIL to support operations.

Subsequent to the end of the quarter the Company terminated its agreement with Forbes and Manhattan (see Related Party Transactions)

Forward-Looking Information

Certain statements within this document constitute "forward-looking statements". Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions. These statements are based on the opinions and estimates of management at the date of this report, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to, the inherent risks involved in the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, forecast levels of production and milling of ore, metallurgical recovery rates, metal prices, currency exchange rates, cash operating margins, cash operating cost per pound of metal sold, costs per ton of ore produced, expenditures on property, buildings and equipment, increases and decreases in reserves and/or resources and anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions, political and economic conditions, the Company's ability to attract and retain key personnel and other risks and uncertainties described under the heading "Risks and Uncertainties" and elsewhere in this report, in the Company's Annual Information Form for the year ended December 31, 2013 and in other documents filed with Canadian provincial securities authorities and available to the public at www.sedar.com. The Company believes that the expectations reflected in these forward looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in this report should not be unduly relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, except as required under applicable securities laws. The forward-looking statements contained in this report are expressly qualified by this statement.

Additional Information

Additional information related to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com, including a copy of the latest Annual Information Form of the Company.