NORTHERN SUN MINING CORP.

(formerly Liberty Mines Inc.)

Management's Discussion and Analysis
For the Three Months Ended March 31, 2015

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 months ended March 31, 2015, in comparison to the corresponding prior year period. This MD&A is prepared as at May 27, 2015, and is intended to supplement and complement the condensed interim consolidated financial statements of the Company for the three months ended March 31, 2015 and 2014. The condensed interim consolidated financial statements for the three months ended March 31, 2015 and 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 for the year ended December 31, 2014. 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 Q1-2015 or Q1-2014 refer to the three months ended March 31, 2015 and 2014, 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.

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 $166 million of indebtedness has provided financing support to allow Northern Sun to continue as a going concern by funding $0.3 million during the three months ended March 31, 2015.

2015 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 handling 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.

The Company temporarily suspended custom milling operations at its Redstone Mill on April 2, 2015 due to low ore inventory as a result of cessation of ore deliveries to the site. The Company expects to resume treatment of ore when deliveries resume and inventories return to acceptable levels.

Cash and trade receivables totaled $2.1 million at March 31, 2015 ($0.8 million of cash).

Approximately $24.0 million in preferred shares and accrued dividends and $142.0 million in interest bearing notes and borrowings are considered a current liability in the financial statements.

Summary of Consolidated Financial Results

		Three months ended March 31, 2015		Three months ended March 31, 2014
Revenue	$	2,951,539	$	-
Cost of sales:				
Direct labour		1,182,436		-
Direct material		442,993		-
Utilities		651,209		-
Depreciation		1,278,327		-
Other		(25,900)		-
Gross loss		(577,526)		-
Operating costs:				
Care and maintenance		-		646,926
Insurance		-		57,974
Depreciation		-		442,708
Accretion		-		10,497
Stock-based compensation		-		1,265
Corporate general and administration:				
Salaries and compensation		103,782		4,582
Consultants		164,046		(276,273)
Legal fees and settlements		12,790		168,482
Audit fees		2,730		-
General office expense		26,946		30,211
Shareholder communications and board fees		8,362		-
Stock-based compensation		-		3,734
Travel		249		160
Insurance		9,857		8,945
Penalties		4,612		(321,620)
Other income and expenses:				
Loss on foreign exchange		2,913,351		1,018,822
Finance cost		4,759,423		3,547,279
Other income		-		(17,395)
Gain on sale of plant and equipment		(12,391)		-
Debt forgiveness				(93,987)
Loss and comprehensive loss for the period	**$**	**(8,571,283)**	**$**	**(5,232,310)**

<u>For the quarter ended March 31, 2015</u>

Net loss for the three months ending March 31, 2015 was $8,571,283 (three months ended March 31, 2014: $5,232,310). Gross loss for the three months ended March 31, 2015 was $577,526 compared to $nil for the three months ended March 31, 2014.

Revenue

For the three months ended March 31, 2015, the Company earned $2,951,539 in revenues from custom milling. For the comparative period in 2013, the Company was not in production and did not earn any revenues.

Cost of sales

The Company incurred costs of sales of $3,529,065 for the three months ended March 31, 2015 (three months ended March 31, 2014: $nil). Custom milling began on July 9, 2014.

Operating costs

The Company incurred operating cost of $nil for the three months ended March 31, 2015 (three months ended March 31, 2014: $1,159,370). During the comparative quarter ended March 31, 2014, the Company incurred care and maintenance costs of $646,926. During the comparative quarter ended March 31, 2014, the Company was no longer in production and its labour force was reduced.

Corporate Administration

The Company incurred $333,374 in corporate administration expenditures for the three months ended March 31, 2015 compared to $(381,779) for the three months ended March 31, 2014. In the comparative quarter ended March 31, 2014, the expenditures were negative due to the reversal of corporate administration expenditures totaling $82,593 as a result of reversed consulting accruals and ministry penalties. 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. The Company terminated its contract with Forbes during the fourth quarter of 2014. Legal fees and settlements include costs incurred as the Company defended and settled certain lawsuits.

Stock-based Compensation Expense

During the three months ended March 31, 2015 and 2014, the Company did not grant any stock options, however options did vest during the three months ended March 31, 2014. Stock-based compensation expense is applied on a proportionate basis to operating costs and corporate general and administration. During the three months ended March 31, 2014, the Company recognized an expense of $4,999, related to costs of gradual vesting. For the three months ended March 31, 2014, the Company applied $1,265 to operating costs and $3,734 to corporate general and administration costs.

Finance Costs

Total finance costs for the three months ended March 31, 2015 were $4,759,423 (three months ended March 31, 2014: $3,547,279). Included in total finance costs for the three months ended March 31, 2015 was interest expense on the JIIL debt of $4,436,341 (three months ended March 31, 2014: $3,224,196). 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 $323,083 for the three months ended March 31, 2015 (three months ended March 31, 2014: $323,083) on preferred shares owned by JIIL. 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 $2,913,351 during the three months ended March 31, 2015 compared to a loss of $1,018,822 for the three months ended March 31, 2014. 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 the first quarter of 2015 and 2014 resulting in the losses.

Gain/loss on sale of plant and equipment

The Company recognized a gain of $12,391 for the three months ended March 31, 2015 (three months ended March 31, 2014: loss of $nil) related the disposal of a vehicle.

Consolidated Financial Position

Trade receivables
Receivables increased by $123,875 to $1,274,549 at March 31, 2015 from $1,150,674 at December 31, 2014. The increase results from more tonnage of ore processed in March 2015 in comparison to December 2014.

Inventories
Inventories on hand totaled $233,901 at March 31, 2015 compared to $252,953 as at December 31, 2014. Inventories are comprised of materials and supplies.

Prepayments and deposits
Prepayments and deposits increased by $58,485 to $326,013 at March 31, 2015 from $267,528 at December 31, 2014. The increase resulted from renewed annual property insurance prepaid in Q1-2015.

Reclamation deposits and restricted cash
Reclamation deposits and restricted cash remained consistent at $3,256,482 at March 31, 2015 and December 31, 2014. The increase in 2014 was a result of interest accruals recorded for the deposits. At March 31, 2015 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 in 2015.

Exploration and evaluation
Exploration and evaluation accumulated expenditures totaled $9,597,689 at March 31, 2015 and December 31, 2014. The Company is maintaining its exploration properties and all are in good standing.

Plant and equipment
Plant and equipment decreased by $1,130,953 to $28,977,235 at March 31, 2015 from $30,108,188 at December 31, 2014. The Company recorded $1,278,327 in depreciation expense during the three months ended March 31, 2015 accounting for the decrease. As well, the Company incurred $153,441 in cash additions to plant and equipment with work on the tailings storage facility expansion. The Company also disposed of a vehicle with a net book value of $6,067.

Accounts payable and accrued liabilities
Accounts payable and accrued liabilities decreased by $124,981 to $2,356,358 at March 31, 2015 from $2,481,339 at December 31, 2014. The decrease is a direct result of ongoing vendor payments in Q1.

Due to related company
As of March 31, 2015, the Company had advances from JIIL in the amount of $336,000 (December 31, 2014: $nil). The advances are non-interest bearing and due on demand.

Preferred shares and accrued dividends
Preferred shares liability remained unchanged at $16,378,516 during the three months ended March 31, 2015. 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 $323,083 to $7,665,454 at March 31, 2015 from $7,342,371 at December 31, 2014. 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 Q1-2015.

Term Loans - JIIL

The term loans itemized in the table below increased by $7,343,309 to $142,023,578 at March 31, 2015 from $134,680,269 at December 31, 2014. 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 three months ended March 31, 2015 the Company received $nil in additional financing, and accrued interest expense of $4,436,341.

As at:		March 31, 2015		December 31, 2014
Current				
US Dollar Term loan - JIIL	$	34,895,743	$	30,917,094
Term Loans - JIIL		107,127,835		103,763,175
Total	$	142,023,578	$	134,680,269

Capital Lease Obligations and Equipment Financing

Capital lease obligations and equipment financing (current and non-current portions) decreased by $11,180 to $103,008 at March 31, 2015 from $114,188 at December 31, 2014. The Company did not enter into any new leases during Q1-2015.

Provisions

Site restoration obligations remained consistent at $2,528,042 at March 31, 2015 and December 31, 2014. 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 2.1% and a risk adjusted discount rate ranging from 0.97% to 2.33% 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 remained unchanged at $80,684,320 at March 31, 2015 from December 31, 2014.

Contributed surplus

Contributed surplus remained unchanged at $11,660,512 at March 31, 2015 from December 31, 2014.

Share based payments reserve

Share based payments reserve decreased to $470,287 at March 31, 2015 from $501,025 at December 31, 2014 as a result of the expiry of 3,000 stock options during Q1-2015.

Summary of Consolidated Quarterly Results

($ thousands, except per share data)

	2015	2014				2013			
Quarter	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$ 2,952	$ 2,934	$ 2,203	$ -	$ -	$ -	$ -	$ 28	$ 29
Net Loss	$ 8,571	$ 10,727	$ 7,541	$ 5,246	$ 5,232	$ 9,916	$ 5,222	$ 7,618	$ 6,156
Loss per Share	$ 1.14	$ 1.46	$ 1.00	$ 0.70	$ 0.70	$ 1.69	$ 1.26	$ 1.84	$ 1.50

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. During 2013, the Company continued to depreciate its assets contributing to net loss. The increase in Q4-2013 results from the reclassification of asbestos remediation costs from capital to expense. Net loss increased during Q3-2014 and Q4-2014 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 provided by/ (used in) operations before changes in non-cash working capital for the three months ended March 31, 2015 was $373,436 compared to $(302,246) for three months ended March 31, 2014. The increase of cash provided by its operation is a result of custom milling generating revenues in Q1-2015 compared to comparative quarter ended March 31, 2013. Cash used by the change in non-cash working capital for the three months ended March 31, 2015 was $288,289 compared to $1,245,272 for the three months ended March 31, 2013.

Funds provided by/ (used in) Investing activities for the three months ended March 31, 2015 was $(147,374) compared to $392,847 for the three months ended March 31, 2014. During the three months ended March 31, 2014, the Company received $500,000 as a start-up fee from Wallbridge to cover costs that the Company was required to incur to re-start the mill. The Company incurred expenditures of $101,426 during the three months ended March 31, 2014 that has been applied against the start-up fee. The Company invested in capital assets during 2015 spending $147,374, which included work on the tailings expansion project. During the three months ended March 31, 2015, the Company incurred $nil in exploration and property maintenance costs for its exploration properties, compared to $4,152 incurred during the three months ended March 31, 2014.

During the three months ended March 31, 2015, JIIL, as described in the executive section of the MD&A, provided Northern Sun with $336,000 as an advance to the company. These advances are non-interest bearing and due on demand.

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.

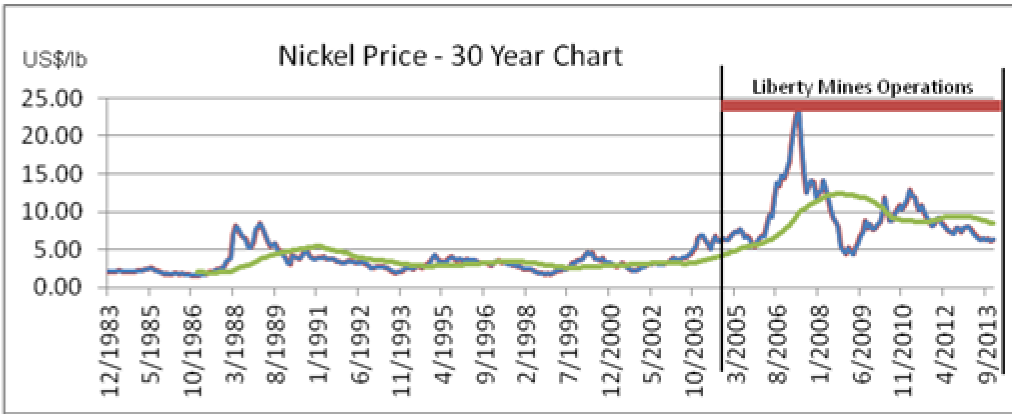

Figure 1. Chart showing Month-end Spot Nickel Price with trend (Green) of 3 yr backward-looking price average

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 December2013 the Mill was again given permission to operate.

Redstone Mine

The Redstone mine remains in care and maintenance mode in Q1-2015.

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 commenced in 2014 and will continue in year 2015.

Mill Operations
Mill operations were restarted on July 9th 2014. Approximately 190,000 tonnes of ore from Wallbridge's Broken Hammer deposit in Sudbury was toll processed in the period of July 1 to March 31, 2015. Thus far the mill has performed well in meeting expectations for processing this Copper and precious metal ore.

Metal recoveries (based on mill assays) through the first quarter of 2015 were in the 97% range for copper. This rivals some of the best mill recovered copper in ore to concentrate in the world. Platinum recoveries improved throughout the quarter from 81% in January to 85% in March. Palladium recoveries ranged between 83% and 86% through the quarter. Copper concentrate grade produced was in the 25% to 26% range of copper in concentrate. All of the metal recoveries and metal in concentrate exceeded original lab testing results on the ore.

Monthly averages for ore head grades through January, February and March for Copper, Platinum and Palladium were 0.95% Copper, 1.82 g/tonne Platinum and 1.54 g/tonne Palladium.

Total tonnes of ore treated during the quarter was 69,300 tonnes, below the targeted 72,000 due to crushing plant issues in January and low ore inventory the end of March.

The mill generates a gravity precious metal concentrate and a copper floatation concentrate. Floatation concentrate and gravity concentrate are processed to final metal outside of Northern Sun operations. Due to low inventory the mill suspended operations on April 2, 2015. It is expected the mill will restart operations in early June 2015 once normal shipments of ore resume.

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 year ended December 31, 2014. 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. During 2014, the Company recognized impairment charges of $974,656 against the Shaw Dome property and $741,966 against the Croxall property.

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. Through the first quarter of 2015 there have been no lost time injuries.

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 the Q1-2015, the Company filed with the ministry of environment (MOE) a report which details the construction and installation of a spillway on the company's tailings facility. This was in response to an order received by the company in December 2014 by the MOE. The Company complied with the order before its due date in Q1, 2015 and is awaiting results from internal review within the ministry. It is expected that this spillway will be constructed in 2015.

The Company continues to work with the Ministry of Northern Development and Mines to complete the amendment to the financial assurance required for the Redstone Mine Closure Plan. As well the company is in the process of filing final closure documents for the Mcwatters Mine site.

McWatters

The Company announced the permanent closure of the McWatters Mine in Q4-2013 due to the identification of asbestos, more specifically chrysotile. The Company intends to close McWatters Mine with work planned in Q2 to Q4-2015.

There were no spills or effluent exceedances which required Regulatory notification during the Q1-2015.

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 Q4-2014, the IBA coordinator was not at site due to illness. Meetings are forthcoming with MMW and we expect the coordinator back in 2015. Relations remain in good standing with MMW.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As of March 31, 2015 and May 27, 2015, 7,510,435 common shares of the Company were outstanding.

As of March 31, 2015 and May 27, 2015, 148,895,600 preferred shares of the Company were outstanding.

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 March 31, 2015 and May 27, 2015, 118,100 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 March 31, 2015, Jilin Jien Nickel Industry Co., LTD ("JJNICL"), through its wholly-owned subsidiary JIIL, is the Company's majority shareholder. Transactions with these entities are detailed in Notes 7, 10 and 11 of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2015.

The Company had engaged Forbes & Manhattan, Inc. ("Forbes") through the better part of 2014. Through Forbes, the Company received access to mining and business professionals, including various officers of the Company. In addition, the Company received strategic advice from Mr. Stan Bharti, the Executive Chairman of Forbes. Starting from June 2013, an administration fee of $100,000 per month was charged by Forbes which provided for amounts to be paid to various corporate professionals, including various officers of the Company as well as corporate overheads including rent, accounting, legal, communications, IT and administrative support staff. The Company terminated its contract with Forbes during the fourth quarter of 2014.

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 (excluding the amounts paid to Forbes mentioned above):

	For the three months ended	
	March 31, 2015	March 31, 2014
Salaries and benefits	$ 192,282	$ -
Short-term benefits	-	37,500
Total	$ 192,282	$ 37,500

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 condensed interim 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 $8,571,283 during the three months ended March 31, 2015 and, as of that date, its current liabilities exceeded its current assets by $166,153,577 (December 31, 2014 – $158,695,486) and it had a cumulative deficit of $219,711,351 (December 31, 2014 - $211,170,806). As such, the Company's ability to continue as a going concern is in significant doubt.

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

The Company temporarily suspended custom milling operations at its Redstone Mill on April 2, 2015 due to low ore inventory as a result of cessation of ore deliveries to the site. The Company expects to resume treatment of ore when deliveries resume and inventories return to acceptable levels.

Subsequent to the end of the quarter and up to the date of this report, the Company received $12,000 in advances from JIIL to support operations.

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, 2014 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.