NORTHERN SUN MINING CORP.

(formerly Liberty Mines Inc.)

Management's Discussion and Analysis
For the Year Ended December 31, 2015

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 year ended December 31, 2015, in comparison to the corresponding prior year. This MD&A is prepared as at April 20, 2016, and is intended to supplement and complement audited annual consolidated financial statements of the Company for the year ended December 31, 2015. The annual consolidated financial statements for the year ended December 31, 2015 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, 2015. 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-, Q3-, and Q4-2015 or Q1-, Q2-, Q3-, and Q4-2014 refer to the three months ended March 31, June 30, September 30, and December 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 and includes the Hart nickel project which is located approximately 7km east of the Redstone nickel mine; 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.

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.

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 was responsible for the handling and milling of ore. The agreement was for approximately a one year term based on a minimum of 800 tonnes per day. The Company generated both a gravity concentrate and a flotation concentrate which is then conveyed to other smelters or refineries for further treatment. Waste from the ore after processing was 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.

Jien International Investment Ltd. ("JIIL"), Northern Sun's largest shareholder, and the holder of in excess of $185 million of indebtedness has provided financing support to allow Northern Sun to continue as a going concern by funding $1,360,000 during the year ended December 31, 2015.

Heather Miree, P. Geo., an independent consultant and former Vice President, Exploration of the Company is a qualified person, as defined by NI 43-101, and has approved of the technical information related to geology and exploration in this MD&A.

2015 Highlights through the date of this report

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 resumed custom milling operations at its Redstone Mill on June 9, 2015 as the deliveries of ore resumed and inventories returned to acceptable levels.

The Company suspended its custom milling operations at its Redstone Mill in early November 2015. The ore body at the Wallbridge's Broken Hammer deposit has been exhausted and Wallbridge ceased mining at the end of October 2015. Since July 2014, Northern Sun has been treating ore sourced from Wallbridge's Broken Hammer deposit in Sudbury, Ontario. Since that time Northern Sun treated nearly 300,000 tonnes of ore. The original contract with Wallbridge was for 200,000 tonnes of ore. The Company continues to look for other feed sources for its 1,500 tonnes per day Redstone Mill. Discussions continue with a number of potential suppliers of ore, as well, Northern Sun is also considering other business development opportunities which utilize its full capabilities as a mining and processing company.

Cash and trade receivables totaled approximately $1 million at December 31, 2015 (approximately $0.9 million of cash).

Approximately $25 million in preferred shares and accrued dividends and $160.1 million in interest bearing notes and borrowings ("Secured Debt") are considered a current liability in the financial statements. The Secured Debt is owing to JIIL. JIIL is the parent of the Company, with approximately a 60% common equity holding. JIIL is a wholly-owned subsidiary of Jilin Jien Nickel Industry Co., Ltd. ("JJNICL"), the ultimate controlling party of Northern Sun. The Secured Debt matured on December 31, 2015 ("Maturity Date"). With the high debt load noted, and, in these circumstances, there exists significant doubt as to the ability of the Company to continue to meet its obligations as they come due and hence function as a "going concern". In all likelihood, the Company will be unable to repay the Secured Debt by the Maturity Date and it will be in default. The following lists the securities held on the interest bearing notes and borrowings:

a) A debenture dated May 25, 2009 providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
b) A supplemental debenture in favour of JILL providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
c) A share-pledge of Company's shares in Liberty Cobalt Inc. and 2004428 Ontario Inc. in favour of JILL;

d) A demand debenture of US $200,00,000 or a lesser amount and interest of 25% or a lesser rate on default of the agreement entered between the Company and JILL dated June 30, 2011; and
e) Other security interest entered by the Company in favour of JILL.

On January 21, 2016, the Company announced it has signed a definitive agreement (the "Arrangement") subject to approval by shareholders and the TSX Venture Exchange (the "Exchange") for the acquisition ("Acquisition") by Regal Silver Investments Ltd. ("Purchaser") of all of the common shares of the Company (the "Shares") not owned by JIIL. Pursuant to the Arrangement, the Shares would be acquired for cash consideration from all shareholders of the Company other than JIIL (the "Minority Shareholders") through a court-approved plan of arrangement under the Business Corporations Act (Ontario) at a price of $0.05 per Share.

On March 24, 2016, the Company announced it has agreed to an increase in the share offer price from $0.05 to $0.07 per Share.

The Company held a special meeting of its shareholders (the "Meeting") on March 24, 2016 and its shareholders approved the acquisition ("Acquisition") by Purchaser of all of the Shares not owned by JIIL. The Shares would be acquired for a cash consideration from all Minority Shareholders through a court-approved plan of arrangement under the Business Corporations Act (Ontario) at a revised price of $0.07 per Share. Upon completion of the Acquisition, the Company would be delisted from the Exchange and would cease to be a reporting issuer.

The Arrangement is subject to certain customary conditions, including among other conditions, approval by the Superior Court of Justice of Ontario (Commercial List), and applicable regulatory approvals, including the TSXV. The Arrangement includes customary representations, warranties and covenants and deal protection provisions. The Company has agreed not to solicit any alternative transactions and to pay a break fee equal to $100,000 in certain specified circumstances. In addition, the Company has granted the Purchaser a right to match any competing offer. In accordance with the Arrangement, the closing of the transaction must occur by no later than April 30, 2016. Also, JIIL agreed to extend the maturity date of the term loans to December 31, 2016 as one of the conditions of the Arrangement.

Summary of Consolidated Financial Results

	Three months ended December 31, 2015	Three months ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Revenue	$ 805,393	$ 2,934,084	$ 7,424,274	$ 5,136,949
Cost of sales:				
Direct labour	366,012	1,340,397	3,302,425	2,402,273
Direct material	41,456	673,403	1,123,963	1,112,191
Utilities	141,479	579,049	1,534,124	1,038,565
Depreciation	398,395	667,841	3,555,838	2,880,922
Other	410,989	564,882	750,760	681,167
Total cost of sales	1,358,331	3,825,572	10,267,110	8,115,118
Gross (loss) profit	**(552,938)**	**(891,488)**	**(2,842,836)**	**(2,978,169)**
Operating costs:				
Care and maintenance	543,864	-	543,864	646,926
Standby costs	-	-	-	880,759
Insurance	33,726	47,683	33,726	246,277
Depreciation	266,709	878,561	266,709	878,561
Accretion	39,175	10,497	39,175	41,988
Stock-based compensation	-	-	-	4,459
Total operating costs	883,474	936,741	883,474	2,698,970
Corporate general and administration:				
Salaries and compensation	80,369	2,365	317,343	11,846
Consultants	70,408	318,918	307,093	460,913
Legal fees and settlements	56,412	100,270	85,900	448,133
Audit fees	39,103	4,494	41,833	51,582
General office expense	34,847	12,289	91,735	118,759
Shareholder communications and board fees	2,077	2,026	21,287	66,674
Stock-based compensation	-	-	-	8,816
Travel	-	1,650	265	10,781
Insurance	9,128	9,858	38,700	36,693
Penalties	35	-	19,758	(320,828)
Total corporate general and administration	292,379	451,870	923,914	893,369
Other income and expenses:				
Finance cost	5,414,470	4,631,279	20,346,437	17,189,435
Loss on foreign exchange	1,500,423	1,052,675	6,355,817	2,429,244
Write off of acquisition deposit	-	1,032,800	-	1,032,800
Impairment of plant and equipment	23,802,222	-	23,802,222	-
Impairment of exploration and evaluation properties	9,681,785	1,748,437	9,681,785	1,748,437
Other income	(1)	(17,391)	(101)	(69,592)
Loss/(Gain) on sale of equipment	(62,298)	(1,054)	(78,189)	(32,048)
Debt forgiveness	-	-	-	(122,810)
Loss and comprehensive loss for the period	**$(42,065,392)**	**$ (10,726,845)**	**$ (64,758,195)**	**$ (28,745,974)**

For the three months ended December 31, 2015:

Net loss and comprehensive loss for the three months ended December 31, 2015 was $42,065,392 (three months ended December 31, 2014: $10,726,845). Gross loss for the three months ended December 31, 2015 was $552,938 (three months ended December 31, 2014: $891,488).

Revenue

For the three months ended December 31, 2015, the Company earned $805,393 in revenues from custom milling. For the comparative period in 2014, the Company earned $2,934,084 in revenues from custom milling. The significant decrease in revenue in Q4-2015 compared to the comparative period in 2014 was due to the suspension of the Company's custom milling operations at its Redstone Mill in early November 2015 as the ore body at the Wallbridge's Broken Hammer deposit has been exhausted and Wallbridge ceased mining at the end of October 2015.

Cost of sales

The Company incurred costs of sales of $1,358,331 for the three months ended December 31, 2015 (three months ended December 31, 2014: $3,825,572). Custom milling was suspended in early November 2015.

Operating costs

The Company incurred operating cost of $883,474 for the three months ended December 31, 2015. During the comparative period in 2014, the Company incurred operating costs of $936,741.

Corporate General and Administration

The Company incurred $292,379 in corporate general and administration expenditures for the three months ended December 31, 2015 compared to $451,870 for the three months ended December 31, 2014. 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 included 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 December 31, 2015 and 2014, the Company did not grant any stock options.

Finance Costs

Total finance costs for the three months ended December 31, 2015 were $5,414,470 (three months ended December 31, 2014: $4,631,279). Included in total finance costs for the three months ended December 31, 2015 was interest expense on the JIIL debt of $5,084,208 (three months ended December 31, 2014: $4,301,017). Interest costs have increased as a result of continued compounding of interest. The Company also accrued dividends of $330,262 for the three months ended December 31, 2015 (three months ended December 31, 2014: $330,262) 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 $1,500,423 during the three months ended December 31, 2015 compared to a loss of $1,052,675 for the three months ended December 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 Q4-2015 from Q3-2015 and Q4-2014 from Q3-2014 resulting in foreign exchange losses during the three months ended December 31, 2015 and 2014.

Write off of acquisition deposit

The Company wrote off $1,032,800 (US $1,000,000) deposit to QMX during the three months ended December 31, 2014.

Impairment of plant and equipment

The Company recorded an impairment loss of $23,802,222 in net book value of its plant and equipment during the three months ended December 31, 2015 (three months ended December 31, 2014: $nil).

Impairment of exploration and evaluation properties

The Company recorded an impairment loss of $9,681,785 on its exploration and evaluation properties during the three months ended December 31, 2015 (three months ended December 31, 2014: $1,748,437)

Gain on sale of plant and equipment

The Company recognized a gain of $62,298 for the three months ended December 31, 2015 (three months ended December 31, 2014: gain of $1,054) related to the disposal of plant and equipment.

Debt forgiveness

The Company did not have any debt settlement transactions during the three months ended December 31, 2015 and 2014.

For the year ended December 31, 2015:

Net loss and comprehensive loss for the year ended December 31, 2015 was $64,758,195 (year ended December 31, 2014: $28,745,974). Gross loss for the year ended December 31, 2015 was $2,842,836 compared to $2,978,169 for the year ended December 31, 2014.

Revenue

For the year ended December 31, 2015, the Company earned $7,424,274 in revenues from custom milling. For the comparative period in 2014, the Company earned $5,136,949 in revenues from custom milling.

Cost of sales

The Company incurred cost of sales of $10,267,110 for the year ended December 31, 2015 compared to $8,115,118 for the year ended December 31, 2014.

Operating costs

The Company incurred operating costs of $883,474 for the year ended December 31, 2015. During the comparative year ended December 31, 2014, the Company incurred operating costs of $2,698,970.

Corporate General and Administration

The Company incurred $923,914 in corporate general and administration expenditures for the year ended December 31, 2015 compared to $893,369 for the year ended December 31, 2014. In the comparative year ended December 31, 2014, approximately $853,000 incurred in 2013 was reversed in 2014 as a result of reversed consulting accruals and ministry penalties. 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. This fee included 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 year ended December 31, 2015 and 2014, the Company did not grant any stock options, however options did vest during the year ended December 31, 2014. Stock-based compensation expense is applied on a proportionate basis to operating costs and corporate general and administration. During the year ended December 31, 2014, the Company recognized an expense of $13,275, related to costs of gradual vesting. For the year ended December 31, 2014, the Company applied $4,459 to operating costs and $8,816 to corporate general and administration costs.

Finance Costs

Total finance costs for the year ended December 31, 2015 were $20,346,437 (year ended December 31, 2014: $17,189,435). Included in total finance costs for the year ended December 31, 2015 was interest expense on the JIIL debt of $19,036,158 (year ended December 31, 2014: $15,879,154). Interest costs have increased as a result of continued compounding of interest. The Company also accrued dividends of $1,310,279 for the year ended December 31, 2015 (year ended December 31, 2014: $1,310,281) 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 $6,355,817 during the year ended December 31, 2015 compared to a loss of $2,429,244 for the year ended December 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 years ended December 31, 2015 and 2014 resulting in the losses.

Write off of acquisition deposit

The Company wrote off $1,032,800 (US $1,000,000) deposit to QMX during the year ended December 31, 2014.

Impairment of plant and equipment

The Company recorded an impairment loss of $23,802,222 in net book value of its plant and equipment during the year ended December 31, 2015 (year ended December 31, 2014: $nil).

Impairment of exploration and evaluation properties

The Company recorded an impairment loss of $9,681,785 on its exploration and evaluation properties during the year ended December 31, 2015 (year ended December 31, 2014: $1,748,437)

Gain on sale of plant and equipment

The Company recognized a gain of $78,189 for the year ended December 31, 2015 (year ended December 31, 2014: gain of $32,048) related to the disposal of plant and equipment.

Debt forgiveness

The Company did not have any debt settlement transactions during the year ended December 31, 2015. During the comparative period of 2014, the Company recognized a gain of $122,810 related to debt forgiveness as the Company negotiated settlements for outstanding accounts payable.

Consolidated Financial Position

Trade receivables

Trade receivables decreased by $1,054,217 to $96,457 at December 31, 2015 from $1,150,674 at December 31, 2014. The decrease is the result of suspension of custom milling in early November 2015.

Supplies inventories

Supplies inventories on hand totaled $nil at December 31, 2015 compared to $252,953 as at December 31, 2014. Supplies Inventories are comprised of materials and supplies. The Company's supplies inventory was written down to $nil on December 31 2015.

Prepayments and deposits

Prepayments and deposits increased by $10,033 to $277,561 at December 31, 2015 from $267,528 at December 31, 2014. The increase resulted from insurance prepayments made during Q4-2015.

Reclamation deposits and restricted cash

Reclamation deposits and restricted cash remained consistent at $3,256,482 at December 31, 2015 and December 31, 2014. At December 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 commenced rehabilitation of the McWatters mine site in Q2-2015.

Exploration and evaluation

Exploration and evaluation accumulated expenditures decreased by $9,597,689 to $nil at December 31, 2015 from $9,597,689 at December 31, 2014. The Company recorded an impairment loss of $9,681,785 on December 31, 2015 and as the result, the Company carried $nil balance in its exploration and evaluation properties as at December 31, 2015. The exploration properties are in good standing and have been under care and maintenance since Q4-2015.

Plant and equipment

Plant and equipment decreased by $27,568,349 to $2,539,839 at December 31, 2015 from $30,108,188 at December 31, 2014. The Company recorded $3,822,547 in depreciation expense during the year ended December 31, 2015 and incurred $551,247 in cash additions to plant and equipment with work on the tailings storage facility expansion, machinery, equipment, and computer software. The Company also disposed of various pieces of equipment with a net book value of $494,826. At December 31, 2015, the Company recorded an impairment loss of $23,802,222.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by $1,302,734 to $1,178,605 at December 31, 2015 from $2,481,339 at December 31, 2014. The decrease is a direct result of ongoing vendor payments during the year ended December 31, 2015.

Due to related company

As of December 31, 2015, the Company had advances from JIIL in the amount of $1,360,000 (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 year ended December 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 $1,310,279 to $8,652,650 at December 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 the year ended December 31, 2015.

Term Loans - JIIL

The term loans itemized in the table below increased by $25,383,514 to $160,063,783 at December 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 year ended December 31, 2015 the Company received $nil in additional financing, accrued interest expense of $19,036,158, and recorded foreign exchange loss of $6,347,356 on US dollar term loan.

As at:	December 31, 2015	December 31, 2014
Current		
US Dollar Term loan - JIIL	$ 41,975,294	$ 30,917,094
Term Loans - JIIL	118,088,489	103,763,175
Total	$ 160,063,783	$ 134,680,269

Capital Lease Obligations and Equipment Financing

Capital lease obligations and equipment financing (current and non-current portions) decreased by $48,140 to $66,048 at December 31, 2015 from $114,188 at December 31, 2014. The Company did not enter into any new leases during the year ended December 31, 2015.

Provisions

Site restoration obligations decreased by $74,681 to $2,453,361 at December 31, 2015 from $2,528,042 at 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. The decrease was due to costs incurred by the Company related to rehabilitation of the McWatters mine site since Q2-2015.

Share capital

Share capital remained unchanged at $80,684,320 at December 31, 2015 from December 31, 2014.

Contributed surplus

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

Share based payments reserve

Share based payments reserve decreased by $449,508 to $51,517 at December 31, 2015 from $501,025 at December 31, 2014 as a result of the expiry and cancellation of 101,600 stock options during the year ended December 31, 2015.

Summary of Consolidated Quarterly Results

($ thousands, except per share data)

	2015				2014			
Quarter	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$ 805	$ 2,883	$ 785	$ 2,952	$ 2,934	$ 2,203	$ -	$ -
Net Loss	$ 42,065	$ 8,463	$ 5,658	$ 8,571	$ 10,727	$ 7,541	$ 5,246	$ 5,232
Loss per Share	$ 5.60	$ 1.13	$ 0.75	$ 1.14	$ 1.46	$ 1.00	$ 0.70	$ 0.70

In Q3-2014, the Company commenced custom milling earning revenues. Net losses have increased starting in 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. In Q2-2015, the Company temporarily suspended custom milling operation for approximately 2 months due to low ore inventory as a result of cessation of ore deliveries to the site. During Q4-2015, the Company suspended custom milling operation as the ore body at the Wallbridge's Broken Hammer deposit has been exhausted and Wallbridge ceased mining at the end of October 2015. During Q4-2015, the Company recorded impairment charges of approximately $23.8M on its plant and equipment and $9.7M on its exploration and evaluation properties.

Cash Flow and Liquidity

Funds provided by/(used in) operations before changes in non-cash working capital for the year ended December 31, 2015 was $(567,123) compared to $(3,346,477) for the year ended December 31, 2014. The significant increase of net cash provided by its operation is a result of higher revenues from custom milling during the year ended December 31, 2015 compared to the year ended December 31, 2014. Cash provided by/(used in) the change in non-cash working capital for the year ended December 31, 2015 was $(221,033) compared to $(1,195,607) for the year ended December 31, 2014.

Funds provided by/(used in) Investing activities for the year ended December 31, 2015 was $(190,486) compared to $(405,894) for the year ended December 31, 2014. The Company invested in capital assets during the year ended December 31, 2015 spending $541,931, which include work on the tailings expansion project. During the year ended December 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. During the year ended December 31, 2015, the Company incurred $77,830 (December 31, 2014: $157,959) in exploration and property maintenance costs for its exploration properties. During the year ended December 31, 2015, the Company incurred $143,740 (December 31, 2014: $nil) in reclamation and closure activities at its McWatters property. During the year ended December 31, 2015, the Company sold various pieces of its plant and equipment generating cash flows of $573,015 (December 31, 2014: $419,838).

During the year ended December 31, 2015, JIIL, as described in the overview section of the MD&A, provided Northern Sun with $1,360,000 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 southeast of Timmins, Ontario.

During the period 2005 to 2012, the Company constructed and permitted a 1500 tpd flotation 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.

The company operated through two challenging periods of strong Nickel price variations over the last 10 years. A brief summary of the history is:

- 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.
- Mill resumed operation in 2014 as a toll milling processor

Redstone Mine

The Redstone mine remains in care and maintenance mode in Q3-2015.

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 continued in 2015. To date Northern Sun has removed all of the mobile equipment from site and nearly all of the fixed assets such as Mechanical Shop, Transformers, Surface Ventilation fans and water treatment plant. Remediation has commenced but due to winter months has been suspended until spring of 2016.

Mill Operations

The Redstone Mill continued to operate as a toll milling processer during Q4 2015. The mill established a contract with Wallbridge Mining in 2014 to process ore from Wallbridge’s Broken Hammer deposit in Sudbury. Mill operations restarted in July of 2014 and ran continuously until April of 2015. Operations were temporarily suspended at that time due to lack of ore from Wallbridge.

Mill operations were restarted on June 9, 2015. The mill ran continuously until November 2, 2015. Wallbridge Mining exhausted its Broken Hammer ore body at that time and the mill shutdown operations. The mill has been on care and maintenance since early November 2016.

Approximately 19,000 tonnes of ore from Wallbridge's Broken Hammer deposit in Sudbury was toll processed in the period of Oct.1 2015 to Dec. 31 2015. For fiscal 2015 approximately 175,000 tonnes of ore were processed and almost 300,000 tonnes processed since the start of the contract in July of 2014. The mill performed well in meeting expectations for processing this Copper and precious metal ore, producing two separate concentrate products, a copper concentrate and a precious metal concentrate.

Table 1 below summarizes the mill performance from the ore received. The mill produced a copper concentrate with copper grades in the range of 22% to 25% copper through the quarter. Metal recoveries shown are based on a combination of both mill assays and final settlement assays from the copper and precious metal refineries. All of the metal recoveries and metal in concentrate continued to exceed original lab testing results on the ore.

Table 1 – Mill performance

	Dry Tonnes Ore Processed	Dry Tonnes Cu Concentrat	Dry Tonnes PGM Concentrat	Mill Feed Head Grade (%Cu, gpt PGM)					Overall Metal Recoveries Milling (%)				
				Cu	Pt	Pd	Au	Ag	Cu	Pt	Pd	Au	Ag
Q4 2015	18,856	466	16.195	0.509	2.771	1.646	0.483	6.035	95.6	88.43	88.16	82.65	70.6
Year to date 2015	174,237	5,741	121.895	0.831	2.174	1.527	0.485	3.654	96.71	85.03	86.83	82.27	70.27

The mill generated a gravity precious metal concentrate and a copper flotation concentrate. Flotation 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 2015. 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 2015, the Company has maintained all current mining claims and leases. The limitations in the Company's financial resources require that exploration activities be limited.

The Company conducted limited exploration field work on both its McAra property (located 25 kilometers from Shining Tree, Ontario) and its Groves property (located approximately 10 kilometers from Gogama, Ontario) during 2014 and 2015.

Mineralization on the McAra property consists of a number of surface showings and drill intercepts of high grade but narrow cobalt (up to 7% cobalt, in core intercept lengths of 1 metre and less). Drilling conducted by a previous operator on the property in 2003 also intercepted gold, with the best intercept being 3.07gpt Au over 4.0 metres core length. Field work completed in 2014 consisted of surveying all historic drill holes and trenches for entry into database systems to allow for geological synthesis of the property. Also, follow-up was completed on areas of interest generated from 2013 ground geophysical surveys. An internal review conducted in Q3 2015 concluded that the cobalt mineralization found to date does not represent an advanced exploration target at this time. Potential exists to extend the cobalt mineralized zone both down dip and along strike however. The internal review also identified that a prospective gold zone exists on the property, located to the southeast of the main area of cobalt mineralization. The gold is interpreted to be hosted within a shear zone and thus far has been intercepted with four drill holes over a 300m strike length and within 65m of surface. Considerable potential exists for this zone to host additional gold mineralization along strike and at depth.

On the Groves property, field work completed in 2014 and 2015 focused on follow-up of selected airborne geophysical (Versatile Time Domain Electromagnetic or “VTEM”) targets and the historical Groves copper-nickel occurrence, as well as completed reconnaissance over other prospective areas. VTEM surveying was completed over the Groves property in 2008. Field work completed between June and October 2014 consisted of linecutting, Induced Polarization (“IP”) surveying, beep mat surveying (an electromagnetic surveying tool), prospecting, and hand trenching of prospective geophysical targets.

Early in 2015, geophysics in the form of borehole electromagnetics was completed in three drill holes at the historic Groves copper-nickel occurrence. The results of the borehole survey did not indicate significant extensions to the known mineralization.

Elsewhere on the Groves Property, an exploration target known as VTEM “Anomaly B”, located approximately 700 metres from the historic Groves copper-nickel occurrence has been identified as of particular interest to the Company. The VTEM profile for this anomaly is interpreted to represent a near surface conductor with a potential depth of 300 meters or more and a strike length of approximately 400 metres. Follow-up exploration conducted on Anomaly B during September and October 2015 consisted of ground geophysics (beep mat surveying), prospecting, and hand trenching. Beep mat surveying was used over general areas of interest to more specifically locate areas for prospecting and hand trenching. From this, several gossanous mineralized boulders were found near the southern edge of VTEM Anomaly B which are believed to be located near their bedrock source. Grab samples (identified as samples E5449590 through E5449593 in Table 1 below) were taken from the gossanous mineralized boulders found in the hand trenches with the highlights of results summarized in Table 1 below. Of note, the mineralization found in the listed samples is similar to that of the historic Groves copper-nickel occurrence.

Table 1: Analytical Results for Samples taken from Surface Boulders near VTEM Anomaly B

ample No.	ckel (%)	pper (%)	balt (%)	ld (ppm)	atinum (ppm)	lladium (ppm)
E5449590	1.47	1.32	0.156	0.099	0.217	0.181
E5449591	2.75	0.45	0.054	0.102	0.060	0.367
E5449592	1.85	0.80	0.036	0.032	0.219	0.268
E5449593	1.63	0.82	0.119	0.180	0.100	0.217

Notes: Nickel, Copper and Cobalt contents reported above were analyzed using Aqua Regia digestion – ICP-OES finish. Gold, Platinum and Palladium contents reported above were analyzed using Fire Assay – ICP-OES finish. Includes highlights of analytical results received as of November 30, 2015.

Additional line cutting and ground geophysics were conducted in the vicinity of VTEM Anomaly B in November 2015 in order to better define the VTEM anomaly. Preliminary results of this ground geophysics were received on November 25 and the significance of the results is being assessed by the Company at time of writing.

Northern Sun has identified further exploration potential on both its McAra and Groves properties. Market conditions remain very challenging to provide the financial support for further exploration.

The Company is committed to maintaining its exploration properties and keep them in good standing.

In addition to its own properties, the company continues to work with numerous parties on potential feeds to the Redstone mill. The nature of such discussions remain confidential, should any contract involving the supply of feed become material the company will publicly announce forthwith.

Health and Safety

Through the first three quarters of the year 2015 there have been no lost time injuries.

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 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. The company recently received an amendment to its Certificate of Approval to install the above spillway and construction commenced in July 2015 and was completed in mid-October 2015. Final as-built drawings are in the process of being submitted for final regulatory records.

There were no spills recorded at the Redstone Mill site during Q4 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.

Two joint meetings were held (June and November 2015) with the Ministry of Environment, Ministry of Natural Resources, Ministry of Northern Mines and Development and Northern Sun. Plans for the new tailings facility at the Redstone site were reviewed as well as spillway installation on existing tailings and actions around McWatters closure to date. In December of 2015 the Company formally submitted two applications with the Government of Ontario regarding its tailings areas. One application was for the review and approval of construction of a new tailings facility and the other application was for the expansion of the existing tailings facilities using an accepted concept of "stacked" tailings. At the time of this report both applications are still under review.

McWatters

The Company announced the permanent closure of the McWatters Mine in Q4-2013. The Company intends to close McWatters Mine with work planned in 2015. A contractor has been awarded an order to initiate closure of the McWatters site with work commenced in July 2015, it is expected that a significant amount of site closure activities will take place in Q3 to Q4 2015. Over 60% of the closure work has been completed at site. Northern Sun will be seeking to recover some of the funds from the closure bond filed with the government for the work done to date to close the site.

Closure and rehabilitation work was suspended in November 2015 at McWatters due to winter conditions.I It is planned that work will restart later in 2016.

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.

Two meetings were held through the summer of 2015 with the First Nation's parties of our IBA agreement. The main discussions focused on the design and construction of the new tailings facility at the Redstone site. First Nations have agreed verbally to give Northern Sun a letter of support for the installation of a new tailings facility. 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 December 31, 2015 and April 20, 2016, 7,510,435 common shares of the Company were outstanding.

As of December 31, 2015 and April 20, 2016, 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 December 31, 2015 and April 20, 2016, 19,500 exercisable options were outstanding.

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 December 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 8, 11 and 12 of the Company's consolidated financial statements for the years ended December 31, 2015 and 2014.

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):

	Three months ended		Year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Salaries, benefits, and director fees	$ 182,731	$ 143,110	$ 668,705	$ 258,110
Share-based payments	-	-	-	-
Total	$ 182,731	$ 143,110	$ 668,705	$ 258,110

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 $64,758,195 during the year ended December 31, 2015 (December 31, 2014 - $28,745,974) and, as of that date, its current liabilities exceeded its current assets by $186,391,883 (December 31, 2014 - $158,695,486) and it had a cumulative loss of $275,479,493 (December 31, 2014 - $211,170,806). As such, the Company's ability to continue as a going concern is in significant doubt.

The Company suspended its custom milling operation in Q4-2015 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.

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 Company will require significant capital and operating expenditures in connection with the development of its properties. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company 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 Company to postpone or slow down its exploration and/or development plans, forfeit rights in some or all of its properties, or reduce or terminate some or all of its activities.

The Company'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 Company will not be able to control many of these factors, such as economic conditions in the markets in which it operates. The Company 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 Company's debt and meet its other obligations. If these amounts are insufficient or if there is a contravention of its debt covenants, the Company 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 Company 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 Company and through its debt facilities has secured a first ranking fixed charge over all of the assets of the Company. As the largest shareholder, JIIL has a majority of the voting rights in the Company. The exercise of voting rights associated with the Company may have a significant influence on the Company’s business operations. Although JIIL does not have any intention of selling its interest in the Company, 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 Company, depending on market conditions at the time of such sale. As the significant debt holder of the Company, JIIL may have a significant influence over the operations of the Company in the event the Company is unable to meet its debt obligations.

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, metallurgical characteristics, 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.

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

On January 21, 2016, the Company announced it has signed a definitive agreement (the "Arrangement") subject to approval by shareholders and the TSX Venture Exchange (the "Exchange") for the acquisition ("Acquisition") by Regal Silver Investments Ltd. ("Purchaser") of all of the common shares of the Company (the "Shares") not owned by JIIL. Pursuant to the Arrangement, the Shares would be acquired for cash consideration from all shareholders of the Company other than JIIL (the "Minority Shareholders") through a court-approved plan of arrangement under the Business Corporations Act (Ontario) at a price of $0.05 per Share.

On March 24, 2016, the Company announced it has agreed to an increase in the share offer price from $0.05 to $0.07 per Share.

The Company held a special meeting of its shareholders (the “Meeting”) on March 24, 2016 and its shareholders approved the acquisition ("Acquisition") by Purchaser of all of the Shares not owned by JIIL. The Shares would be acquired for a cash consideration from all Minority Shareholders through a court-approved plan of arrangement under the Business Corporations Act (Ontario) at a revised price of $0.07 per Share. Upon completion of the Acquisition, the Company would be delisted from the Exchange and would cease to be a reporting issuer.

The Arrangement is subject to certain customary conditions, including among other conditions, approval by the Superior Court of Justice of Ontario (Commercial List), and applicable regulatory approvals, including the TSXV. The Arrangement includes customary representations, warranties and covenants and deal protection provisions. The Company has agreed not to solicit any alternative transactions and to pay a break fee equal to $100,000 in certain specified circumstances. In addition, the Company has granted the Purchaser a right to match any competing offer. In accordance with the Arrangement, the closing of the transaction must occur by no later than April 30, 2016. Also, JIIL agreed to extend the maturity date of the term loans to December 31, 2016 as one of the conditions of the Arrangement.

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.