NORTHERN
SUPERIOR
RESOURCES

ANNUAL REPORT 2008

NEW **GROWTH** A **GOLDEN** OPPORTUNITY

CORPORATE PROFILE

Northern Superior Resources Inc. is a junior exploration company whose primary focus is exploring for gold on the Superior Province of the Canadian Shield. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Quebec, and trades on the TSX Venture Exchange under the symbol SUP.

Table of Contents

HIGHLIGHTS FOR 2008

On January 6th, 2009, the Company announced the discovery of a new gold showing and several gold-bearing ductile shear zones at the head of the gold grain-in-till dispersal apron in the Big Dam area on the Company's 50%-owned Ti-pa-haa-kaa-ning project in Northwestern Ontario. The new gold showing, discovered as a result of the summer till sampling and mapping program, consisted of several separate quartz-veins hosted by granodorite that returned 3.34 grams per tonne gold and 8.9 grams per tonne gold, both over 0.34 metres. This discovery indicates the presence of gold bearing bedrock structures in the area up-ice of the gold-in-till anomalies, indicating a close proximity to the significant gold mineralization required to produce the very large pristine gold grain concentrations in the till. Drilling in the TPK area to the southeast tested several significant, historical gold showings in a different lithologic and structural environment than the Big Dam showing. This drilling demonstrated that the mineralization observed on surface is more continuous than previously interpreted, and that this mineralization is open along strike in both directions and down dip.

On July 10, 2008, the Company signed an Early Economic Benefits Agreement with the Neskantaga First Nation. The agreement defines the working relationship between Northern Superior and the Neskantaga First Nation at the current early stage of exploration associated with the Ti-pa-haa-kaa-ning project.

On January 27th, 2009, the Company announced that three gold grain dispersal trains had been defined on its 100% owned Thorne Lake gold property, northwestern Ontario. These trains are defined based on the distribution of anomalous gold grain values recovered from overburden samples collected during the Company's fall 2008 overburden sampling program. This property is located 15.5 km west of the Sachigo River gold mine, and situated on the Ellard Lake greenstone belt. Two of the three gold grain-in-till dispersal trains defined on the property are as strong as, or stronger than, the two gold grain-in-till dispersal trains that extend down-ice from the Sachigo River gold mine. The Sachigo River gold mine was considered a high grade, low tonnage mine that operated between 1938 and 1943. This exploration program was possible due to the signing of a Letter of Agreement with the Sachigo Lake First Nation in September of 2008.

On January 22nd, 2009, the Company announced the signing of an option and joint venture agreement with Matamec Exploration Inc. on the Wachigabau property. Essentially, this agreement allows the Company to now explore for all types of minerals on what was previously known as the L'Esperance diamond property, on which the original agreement with Matamec limited the Company to an interest in diamonds. The focus of exploration will be for gold mineralization, initially targeting several historical gold intersections reported from diamond drilling. The property occurs within a gold exploration and mining camp, situated on structures that extend northeast to the Lac Shortt gold mine, and southeast to Metanor Resources Inc. Bachelor gold mine and currently operating gold mill. There are also a number of historical intersections containing significant combined copper-gold mineralization indicating the potential for multiple styles of mineralization on the property.

On July 7, 2008, the Company announced the sale of its interests in the North Thelon Uranium project to the joint venture partner and operator, Forum Uranium Corp. ("Forum"), for 2.7 million shares of Forum, clearance of its obligations for the approved and contingency budgets for the 2008 exploration programs and a 5% Net Profits Royalty ("NPR") on the 100% owned joint venture claims. The transaction reflects Northern Superior's strategy to focus on its gold assets on the Canadian Shield. The sale agreement also terminated the Company's right, title and interest in the Tanqueary Option agreement and Agnico-Eagle Participation agreement.

During the third quarter, management reviewed its portfolio of properties and decided to discontinue exploration activities on the Mistassini property after review of all geological data. Management deemed the property to have a low potential to host an economic diamond-bearing kimberlite pipe. Under terms of the Access and Exploration Agreement entered into with Majescor Resources Inc ("Majescor"), effective March 2, 2007, the Company retains 100% of the diamond rights on the Mistassini property, subject to a 2% Gross Overriding Royalty (GOR) to Majescor. Majescor retains 100% of the uranium rights on the property, subject to a 2% royalty to the Company. The Company no longer has any future spending commitment in the property.

The Company is also in the process of reviewing and considering several highly prospective but low-cost exploration gold and base metal properties.

OUR GROWTH OPPORTUNITY

Thomas Morris President & CEO

The year 2008 will be remembered as a time when everything changed, for governments, economies, markets as well as for companies across virtually every industry. For Northern Superior Resources, it was an important year of transition, where challenges were confronted and changes were made to better position the Company to succeed both over the short and long term.

With investors increasingly shying away from the uranium and diamond sectors, we made a strategic decision to focus our efforts, and capital, on gold. At a price of US$860.00 per ounce at December 31, 2008, gold was one of the few areas at year end still attracting considerable investor interest, supported both by the current market and a number of bullish forecasts for the direction of long-term prices. So far in 2009, this interest has continued to grow as the gold price has further strengthened, reaching over US$1,000 per ounce in late February.

Our transition to gold was both possible and relatively easy based on our extensive and comprehensive geosciences data base acquired during previous exploration programs. The Company was fortunate that from the outset all overburden materials collected during its exploration programs were processed for all commodities. Because of this approach, several promising gold and base metals projects exist within the Company's data bases, of which three gold projects were brought forward: Ti-pa-haa-kaa-ning, Wachigabau, and Thorne Lake.

With a focus on gold, and a number of prospective targets, management and the board reached the decision that the Company should be re-branded to better reflect its new strategic focus. As a result, on April 14th, 2008, we changed our name from Superior Diamonds Inc. to Northern Superior Resources Inc. The marketing strategy around the new name included a complete overhaul of the website by upgrading its structure and updating its content on a regular basis. In addition, a more active program of conference participation was initiated as well as the regular release of news and ongoing interaction with key financial institutions.

In support of the new strategy, most of our exploration budget in 2008 was focused on gold. Significant advances were made with all three gold properties this year, particularly on the highly promising Ti-pa-haa-kaa-ning gold property in Northwestern Ontario. A summary description of each of the Ti-pa-haa-kaa-ning, Wachibagau and Thorne Lake gold properties is included in the accompanying Management's Discussion and Analysis.

We reacted aggressively to the emerging crisis in the financial markets during 2008, first by re-evaluating all of our operations to increase efficencies and reduce costs. Being proactive has helped position the Company to operate in a difficult market environment. We also continued to make management and board changes to support our future progress. After many years of excellent service, Murray Gordon and Tom Beattie retired from the Board during the third quarter of 2008. Roland Horst and Arnold Klassen were added to the Board, bringing with them a wealth of mining experience. The Company board continues to be a source of excellent support and guidance for management as it moves forward with its strategic direction and long-term planning.

Despite the many challenges we have faced as a company and as a member of the global economy and markets, I have confidence that we have chosen the right direction for Northern Superior Resources and its shareholders, one that positions the Company to create value based on the near-term outlook for gold, and over the long-term as we execute our business plans and advance our highly prospective assets. We very much appreciate our shareholders' ongoing support through these difficult times, and are working diligently to ensure that, for Northern Superior Resources, 2009 will be remembered as the year that a strategy was effectively executed, and value was created.

Thomas F. Morris PhD., FGAC, PGeo.
President & CEO
Northern Superior Resources Inc.

EXPLORING NEW GROWTH

TI-PA-HAA-KAA-NING
GOLD PROPERTY

The Ti-pa-kaa-haa-ning project is a 50/50 joint venture between the Company and Lake Shore Gold Corp. ("Lake Shore Gold"), a company related by virtue of certain common directors and since June 1, 2008, by virtue of certain common officers as well. The Company is the operator of the joint venture.

The Company first recognized the potential of the area for significant gold mineralization following completion of an overburden sampling program in the area during the summer of 2005. Gold grain values recovered from these overburden samples were highly anomalous containing abundant pristine gold grains and their distribution suggested a potential source at a contact between two felsic intrusive units, as defined on the Ontario Geological Survey bedrock geology map for the area. This contact coincided with a distinctive magnetic signature observed on the Company's proprietary geophysical data for the area.

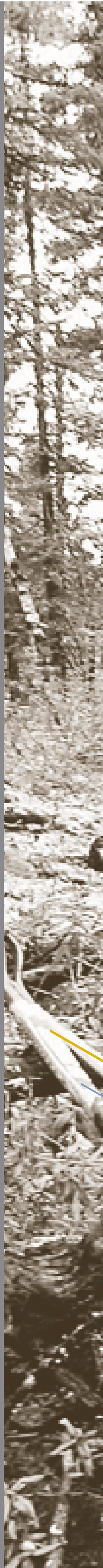
The joint venture between Lake Shore Gold and Northern Superior was formed in January of 2007 with each company contributing claims. Additional claims were staked to consolidate land holdings resulting in a mineral property consisting of 153 claims totaling 32,208 hectares. Nine claims are subject to an underlying 1.5% net smelter royalty payable to a third party, to a maximum of $2.5 million.

During the summer of 2007, Northern initiated an exploration program consisting of a core drilling and overburden sampling. The diamond drill program consisted of 10 holes and was designed to determine if the anomalous gold grain values from previous sampling programs were derived from the area of the intrusive contact, while also providing information on the lithologies in the area of the Company's proprietary airborne geophysical data. The drilling program intersected narrow gold mineralization in one hole identifying the potential for additional mineralization on the property, and also identified a new, unexplored area of greenstone belt.

The concurrent overburden sampling program was completed over a wide area extending up-ice of the diamond drilling with the intent of more clearly defining the head of the dispersal train and bedrock source for the gold grains. The distribution and relative concentration of gold grains (particularly the large number of pristine gold grains) recovered from this program defined a much larger gold grain dispersal train with a broader or more apron-shaped outline. The recovered gold grains defined a dispersal apron approximately two kilometres down-ice from a fertile source with a strike length across-ice of at least six kilometres. The average number of gold grains identified in 98 overburden samples was 135, up to a maximum of 478. Analyzing overburden samples for the presence of gold grains is a common exploration procedure in overburden covered terrains. The gold grain values obtained exceed or equal those from significant gold deposits discovered elsewhere on the Canadian Shield (see press release October 15th, 2007). The number and distribution of gold grains associated with such a large gold-in-till dispersal apron is rare and suggests a significant bedrock source on the property.

Upon review of the compiled data, including the results from the 2007 exploration programs, the Company expanded the property size to 194 claims covering 40,416 hectares. The claims added to the eastern portion of the Property covered the area up-ice of the 2007 overburden sampling program. The size of the Property is now extensive: the whole Timmins Gold camp can be placed within the eastern part of the Property. Claims added to the west side of the property covered an area hosting a second anomalous overburden gold grain anomaly originally recognized during Superior's 2005 overburden sampling program and comparable in magnitude to the samples that led to the discovery of the gold-in-till dispersal apron. This gold grain anomaly, located northwest of the original claim block, is located along an interpreted extension of the greenstone belt approximately 22 kilometres west of the historical Rowlandson Lake gold occurrence on the east side of the property.

The Company undertook a very aggressive exploration program during 2008. Activities included two diamond drill programs, an extensive overburden sampling program, bedrock and overburden mapping and an orientation induced polarization (I.P.) survey. Based on the variety of gold mineralization encountered during this program, it was recognized that the Property had to be divided into three components to properly manage current and future exploration. The "New Growth" area covers the northwest part of the property



and is considered early stage exploration. The "Big Dam" area encompasses the gold grain-in-till dispersal apron and covers the central part of the property. The TPK area covers the eastern part of the property and includes the trenches and showings from which the significant and historic Rowlandson Lake gold occurrences were reported (see press release November 20th, 2008).

The first diamond drill program was completed in the spring of 2008 and consisted of 21 holes located in the area north and east of the 2007 drill holes. The holes located closest to the 2007 drilling intersected gold mineralization assaying up to 3.44 g/t Au over 0.37 m (CAN08-027) and 1.34 g/t Au over 0.48 m (CAN08-031) hosted by gabbro and felsic intrusive rocks. More significant was the identification of a felsic intrusive rock with multiple zones of shearing associated with a high magnetic response on the joint-ventures proprietary airborne survey. Intersections in this granodiorite to tonalite intrusive ranged up to 1.05 g/t Au over 1.5 m (CAN08-030) and 1.03 g/t Au over 0.5 m (CAN08-026). These results were significant in identifying a style of gold mineralization previously unknown in the area, located up-ice of the gold in till anomalies.

An overburden sampling program was completed over the entire property, with a higher density of sampling done in the Big Dam area to aid in the identification of the head of the dispersal train. In the Big Dam area, the results from this program: 1) defined the lateral and up-ice boundaries of the apron to be 15 kilometres long from a fertile source area with a strike length of approximately 6 kilometres; 2) characterized the physical properties of the gold-bearing till sheet; and 3) constrained the source area of the gold grains. In the New Growth area, the reconnaissance overburden sampling program returned anomalous gold grain-in-till values in two new areas. Follow-up sampling will be required to define the size and nature of these new gold exploration targets.

In addition, prospecting in the area at the head of the gold grain-in-till dispersal apron lead to the discovery of a new gold showing consisting of several sub-parallel separate quartz veins hosted by shears in a massive granodiorite that returned 3.34 g/t Au and 8.9 g/t Au, both over 0.34 metres. Following this discovery, an orientation scale induced polarized geophysical survey was completed over and around the area of the new gold showing and several anomalies were identified that could be related to the gold mineralization.

The results from the summer exploration sampling and mapping programs prompted a second diamond drilling program in the fall of 2009. The program focused initially on the TPK area of the property where twenty-five holes were completed to investigate the potential for additional mineralization (see press release, January 6th, 2009). The anomalous results were intersected in the 1004S and the 500S trenches. A series of six holes undercut the main 1400S, trench that hosted up to 20.67 g/t Au over 1.5 metres in channel samples collected in the summer of 2008. These holes intersected at least two zones of mineralization hosted by carbonate stringers with trace to 5% fine-grained pyrite in variably silicified mafic metavolcanic rocks. Assays range from anomalous values up to 4.0 g/t Au over 0.4 metres (CAN08-035) and 1.31 g/t Au over 1.5 metres (CAN08-033). A series of six holes undercut the 500S trench located approximately 275 metres north of the 1400S trench. The best interval from these holes returned 0.73 g/t Au over 1.5 metres in CAN08-042. Hole CAN08-050 intersected three anomalous intervals returning up to 1.0 g/t Au over 1.4 metres in a strongly sheared and altered mafic metavolcanic rock cut by carbonate-quartz veinlets north of the 500S trench. The gold mineralization in all of these intersections is open along strike and down dip indicating a potential for additional mineralization in the Rowlandson Lake area.

A series of eight holes were also drilled in the area of the head of the gold grain-in-till dispersal apron defined by the 2008 overburden sampling program and undercutting the newly discovered Big Dam gold showing. Five of these eight holes were drilled in two fences at the head of the apron and they intersected variably chloritized and silicified granodiorite to diorite cut by shears associated with splay structures branching off the regionally extensive Stull-Wunnumin fault zone to the west. The shears host intersections of up to 3.20 g/t Au over 0.3 metres and 1.53 g/t Au over 0.94 metres in CAN08-060 and 1.21 g/t Au over 0.96 metres in CAN08-053, located 100 metres to the west. The remaining three holes were completed as a north-south oriented fence which undercut the Big Dam showing. Multiple shears were intersected that hosted up to 5.38 g/t Au over 0.4 metres in CAN08-059 and 0.97 g/t Au over 0.4 metres in CAN08-060. Individually, these shears can be as thick as 3 metres or more and form an anastamosing shear package as much as several 100 m wide. Although where intersected, these shear zones are not the direct source(s) of the gold grains associated with the gold grain-in-till dispersal apron, they clearly demonstrate that this area has the potential to host a significant gold deposit(s).

THORNE LAKE
GOLD PROPERTY

Northern Superior previously explored the Ellard Lake area for diamonds, and also completed a regional overburden sampling program through the area in 2006. As with all its overburden sampling programs, the Company processed the samples not only for kimberlite indicator minerals but also for gold and a suite of selected base metal heavy minerals. From the regional survey, a gold grain-in-till dispersal train was defined in the Thorne Lake area. Subsequently, during the fall of 2008, the Company staked 26 claims or 6,656 hectares to cover the dispersal train and the potential source area.

The property is underlain by rocks of the Ellard Lake greenstone belt, and is located15.5 kilometres west of the Sachigo River gold mine. This past producing mine generated 52,560 ounces of gold from 46,416 tons of ore for an average grade of approximately 1.1 oz Au/ t (38.8 g Au/ t) between 1938 to 1943. The gold is hosted by quartz veins in east- west trending shears in altered metavolcanic and intrusive rocks. The Ellard Lake greenstone belt is highly prospective for gold but poorly explored.

During the fall of 2008, the Company signed an Agreement with Sachigo Lake First Nations which allowed the completion of an overburden sampling program designed to better define the gold-in-till dispersal apron. Three gold grain-in-till dispersal trains were discovered, two of which are very similar to dispersal trains extending south from the Sachigo River gold mine. One 10.6 kg overburden sample collected from the Property during last fall's exploration program contained 476 gold grains, of which 454 are pristine. The 7.7 kg overburden sample associated with the Sachigo River gold mine contains 69 gold grains, of which 57 are pristine. This sample was collected by the Ontario Geological Survey within 100m of the Sachigo River mine site. The implication of these results clearly shows that the Thorne Lake property has a very high potential to host gold mineralization.

WACHIGABAU
GOLD PROPERTY

On January 21st, 2009, the Company signed an option and joint venture agreement with Matamec Exploration Inc. to explore for all commodities on the Wachigabau property in the Desmaraisville area of west-central Québec, with a particular focus on gold and base metals. The Wachigabau property includes the original L'Espérance property and other claims belonging to both parties are now part of this new Agreement, which collectively contains 359 claims covering an area of 14,578 hectares, and will be explored under a new name, the Wachigabau property. The Wachigabau property is strategically located between the Lac Shortt gold mine to the northeast and the Coniagas zinc, lead, silver mine and Bachelor Lake gold mine and mill complex to the southwest. These mines are all associated with the Lake Opawica-Gwillim fault system. Mineralization known to occur on the Property include: 1) lode gold associated with quartz veining with values in drill hole intersections up to 5.39g/t Au over 2.4m, 10.3 g/t Au over 0.3m and 10.1 g/t Au over 1.0m; 2) Cu-Au remobilized along continuous fracture systems up to 2.62% Cu, 14g/t Ag and 3.14 g/t Au over a 3.25m drill hole intersection; and 3) the potential for volcanogenic Cu-Zn massive sulphide mineralization.

The signing of this agreement represents an excellent opportunity to explore for gold and other commodities within an established gold exploration and mining and milling camp. The Wachigabau project property is underlain by structures and geology associated with gold mineralization in the Bachelor Lake gold mine located 10 kilometres to the west and also overlies geology and structures associated with the Lac Shortt gold deposit 4.5 kilometres to the northeast. By entering into this agreement, the Company retains its investment the Property and expands the Company's opportunity for success in other commodities.

Under the terms of the Agreement, Northern Superior can earn 50% of all mineral rights on the Wachigabau project property by paying to Matamec $25,000 cash and issuing 100,000 shares and 100,000 share purchase warrants. The Company has also committed to spending $500,000 (the timing of which is at the discretion of Northern Superior) over three years, of which $75,000 had already been spent as of the fall of 2008 on a ground magnetic survey. Once Northern Superior has met the requirements to earn its 50% interest, the Company and Matamec will form a 50-50 Joint Venture for all commodities on the property. IAMGOLD retains certain back-in rights on some of the claims. Northern Superior is the operator of the Project and is currently developing an exploration plan and budget.

OTHER
GOLD PROPERTIES

Northern Superior has an extensive database of overburden sampling results from programs initially completed for kimberlite indicator minerals but also processed for gold and a suite of selected base metal heavy minerals. The company is currently evaluating this gold and base metal data to identify other potential gold properties that may be potentially valuable projects for Northern Superior shareholders.

VILLE MARIE & L'ESPÉRANCE **DIAMOND PROPERTIES**

VILLE MARIE PROJECT



The Ville Marie project is 100% owned by Northern Superior, except for property associated with the Lac Honorat kimberlite pipe. The property consists of ground owned by FieldEx Exploration Inc., of which Northern has 100% rights to the diamonds with FieldEx holding a 2% gross overriding royalty.

In 2007, Northern Superior discovered two kimberlite pipes: the Morin and Lac Honorat kimberlites. Although a microdiamond was recovered from the Morin kimberlite pipe, Northern Superior has determined that this pipe is likely not economic based on an interpretation of the kimberlite indicator mineral chemistry. However, the presence of a microdiamond, as well as the kimberlite indicator mineral geochemistry of this pipes' garnet, magnesium ilmenite and chrome diopside grains clearly indicates the potential for an economic pipe in the Ville Marie region remains good. This interpretation is reinforced by the chemistry of kimberlite indicator minerals ("KIMs") recovered from overburden sediment samples collected from other KIM glacial dispersal trains in the area.

During 2008, Northern Superior completed three separate exploration programs on the Ville Marie property. A reverse circulation drilling program was completed during the first quarter in an area interpreted to host several kimberlites. During the second quarter a ground gravity survey, consisting of fill-in work and new areas, defined several anomalies in the south portion of the Property that are possible kimberlite targets. To properly evaluate these anomalies, kimberlite indicator minerals must be selected from previous overburden sampling and submitted for mineral chemistry analyses. The third program involved the submission of material from the Lac Honorat kimberlite pipe for petrographic examination and mineral chemistry analyses. Although the laboratory interpreted the mineral chemistry to indicate that this pipe sampled the mantle at too high a level for the recovery of economic diamonds from the pipe, the geothermometry from these same mineral grains indicates that the pipe originated in the portion of the mantle with the correct temperature required for diamond stability. The laboratory's interpretation of the geothermometry means that the Ville Marie area remains highly prospective for a diamond deposit.

All data has now been received and since diamond exploration is no longer Northern's exploration focus the data will be processed and interpreted pending on the work load of the Company's gold exploration projects. It is anticipated that the results from these programs will better define the location of additional kimberlite pipes. Geochemistry of indicator minerals associated with the new targets has yet to be completed. This exercise will prioritize targets for future drilling when a Joint Venture partner is found.

L'ESPÉRANCE PROJECT

Until the recent signing of an agreement with the joint venture partners on the Wachigabau Property, the focus of Northern Superior's exploration program on the L'Espérance Property was for diamonds (see previous discussion regarding particulars of the new agreement).

As part of the diamond focused exploration, a detailed ground magnetic survey was completed in February 2008 over a small area in the south portion of the Property. A short diamond drill program was initiated following this survey and was completed during the second quarter of 2008. A number of mafic to ultramafic dykes were intersected during this program and submitted to Overburden Drilling Management Limited for lithologic identification. Material was also submitted to Mineral Service Canada for kimberlite indicator mineral chemistry analyses and interpretation of mantle source environment. As with the Ville Marie project, all data has now been received. However, since diamond exploration is no longer Northern's exploration focus the data will be processed and interpreted pending on the work load of the Company's gold exploration projects.

Material from kimberlite float, discovered during the 2007 fall sampling program has also been forwarded to Mineral Service Canada for mineral chemistry analyses and interpretation of mantle source environment indicative of whether related kimberlite pipes have a potential to host diamonds. This geophysical information and the results of the mineral chemistry analyses will determine future targets for diamond drilling in the south portion of the Property.

The L'Espérance Project lies within the traditional territory of Waswanipi First Nation. Northern Superior has successfully completed an initial round of discussions with Waswanipi which accommodates the Company's current exploration program. Upon discovery of a diamondiferous kimberlite, Northern Superior will negotiate a Memorandum of Understanding with the Waswanipi First Nation.

URANIUM PROPERTIES

NORTH THELON URANIUM PROJECT

On July 7, 2008, the Company sold its interests in the North Thelon Uranium project. As part of the agreement, the Company was absolved from any exploration costs for 2008, leaving an extra $2.5 million available for Northern Superior's other projects, primarily the Ti-pa-haa-kaa-ning gold project. The shares of Forum received as part of the sale, will be pooled for release over a two year period with 25% of the shares available for sale after four months, 25% after 12 months, 25% after 18 months and the final 25% after 24 months.

GENERAL

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial conditions of Northern Superior Resources Inc. (the "Company" or "Northern Superior"). This MD&A should be read in conjunction with the audited consolidated financial statements of the Company, including the notes thereto, for the years ended December 31, 2008 and 2007 (the "financial statements"), which are prepared in accordance with Canadian generally accepted accounting principles. This MD&A has taken into account information available up to and including March 19, 2009. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise stated.

In April 2008, the Company changed its name from Superior Diamonds Inc. ("Superior") to Northern Superior Resources Inc. The adoption of the new name reflects the change in the Company's focus from diamonds to a broader range of resources, with the greatest emphasis being on gold. During 2008, Northern Superior achieved good progress advancing a number of prospective gold properties in the Superior Geologic Province of the Canadian Shield.

Northern Superior is an exploration stage company engaged in the identification, evaluation, acquisition and exploration of primarily gold properties, but also properties involving diamonds in Ontario and Québec. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Québec and trades on the TSX Venture Exchange under the symbol SUP.

This MD&A contains forward-looking statements. Please refer to the cautionary language at the end of this document.

HIGHLIGHTS

The year 2008 was one of transition and solid progress for the Company as management made a strategic decision to focus the efforts and capital, more fully on our gold projects, particularly the 40,416 hectare Ti-pa-haa-kaa-ning property.

The Company completed two diamond drill programs and an overburden sampling program in 2008, on the Company's 50%-owned Ti-pa-haa-kaa-ning project. In January 2009, the Company announced the discovery of a new gold showing and several gold-bearing ductile shear zones at the head of the gold grain-in-till dispersal apron in the Big Dam area on the property. The new gold showing, consisted of several separate quartz-veins hosted by granodiorite that returned 3.34 grams per tonne gold and 8.9 grams per tonne gold, both over 0.34 metres. This discovery indicates the presence of gold-bearing bedrock structures in the area up-ice of the gold-in-till anomalies, indicating a close proximity to the significant gold mineralization required to produce the very large pristine gold grain concentrations in the till. Drilling in the TPK area to the southeast tested several significant, historical gold showings in a different lithologic and structural environment than the Big Dam showing. This drilling demonstrated that the mineralization observed on surface is more continuous than previously interpreted, and that this mineralization is open along strike in both directions and down dip.

On July 10, 2008, the Company signed an Early Economic Benefits Agreement with the Neskantaga First Nation. The agreement defines the working relationship between Northern Superior and the Neskantaga First Nation at the current early stage of exploration associated with the Ti-pa-haa-kaa-ning project.

In January 2009, the Company announced the signing of an option and joint venture agreement with Matamec Exploration Inc. on the Wachigabau property. The agreement allows the Company to now explore for all types of minerals on what was previously known as the L'Esperance diamond property, on which the original agreement with Matamec limited the Company to an interest in diamonds. The focus of exploration will be for gold mineralization, initially targeting several historical gold intersections reported from diamond drilling. The property occurs within a gold exploration and mining camp, situated on structures that extend northeast to the Lac Short gold mine, and southeast to Metanor Resources Inc. Bachelor gold mine and currently operating gold mill. There are also a number of historical intersections containing significant combined copper-gold mineralization indicating the potential for multiple styles of mineralization on the property.

Also in January, 2009, the Company announced that three gold grain dispersal trains had been defined on its 100% owned Thorne Lake gold property in northwestern Ontario. These trains are defined based on the distribution of anomalous gold grain values recovered from overburden samples collected during the Company's fall 2008 overburden sampling program. The property is situated on the Ellard Lake greenstone belt and located 15.5 km west of the Sachigo River gold mine. Two of the three gold grain-in-till dispersal trains defined on the property are as strong as, or stronger than, the two gold grain-in-till dispersal trains that extend down-ice from the Sachigo River gold mine. The Sachigo River gold mine was considered a high grade, low tonnage mine that operated between 1938 and 1943. This exploration program was possible due to the signing of a Letter of Agreement with the Sachigo Lake First Nation in September of 2008.

On July 7, 2008, the Company announced the sale of its interests in the North Thelon Uranium project to the joint venture partner and operator, Forum Uranium Corp. ("Forum"), for 2.7 million shares of Forum, the assumption by Forum of the Company's obligations for the approved and contingency budgets for the 2008 exploration programs, and a 5% net profits royalty ("NPR") on the 100% owned joint venture claims. The transaction reflects Northern Superior's strategy to focus current financial resources on its gold assets on the Canadian Shield. The sale agreement also terminated the Company's right, title and interest in the Tanqueray Option agreement and Agnico-Eagle Participation agreement.

In the second half of 2008, management reviewed its portfolio of properties and decided to focus on specific areas on some of its diamond properties (Ellard Lake and Ville Marie properties) and discontinue exploration activities on the Mistassini property. Management deemed the Mistassini property to have a low potential to host an economic diamond-bearing kimberlite pipe. Under terms of the Access and Exploration Agreement entered into with Majescor Resources Inc ("Majescor"), effective March 2, 2007, the Company retains 100% of the diamond rights on the Mistassini property, subject to a 2% Gross Overriding Royalty (GOR) to Majescor. Majescor retains 100% of the uranium rights on the property, subject to a 2% royalty to the Company. The Company no longer has any future spending commitment in the Mistassini property.

During the year ended December 31, 2008, the Company's expenditures on resource properties (including accruals at December 31, 2008, but excluding cost recoveries and refundable tax credits) were $9,129,317, of which $5,247,909 related to drilling on the Ti-pa-haa-kaa-ning project. The Company's net loss for the year ended December 31, 2008 was $7,880,362 (2007 – $516,577).

Looking at 2009, the Company started the year with encouraging exploration results at its Ti-pa-haa-kaa-ning and Thorne Lake gold properties and is adequately funded to meet its near-term operating and exploration expenditures. For future exploration programs, the Company will require additional capital and is currently assessing market conditions for potential equity financing opportunities, in addition to actively pursuing joint venture partners for a number of its gold and diamond properties.

GOLD PROPERTIES

Ti-pa-haa-kaa-ning

The Ti-pa-haa-kaa-ning project is a 50/50 joint venture between the Company and Lake Shore Gold Corp. ("Lake Shore Gold"), a company related by virtue of certain common directors and since June 1, 2008, by virtue of certain common officers as well. The Company is the operator of the joint venture.

The Company first recognized the potential of the area for significant gold mineralization following completion of an overburden sampling program in the area during the summer of 2005. Gold grain values recovered from these overburden samples were highly anomalous containing abundant pristine gold grains and their distribution suggested a potential source at a contact between two felsic intrusive units, as defined on the Ontario Geological Survey bedrock geology map for the area. This contact coincided with a distinctive magnetic signature observed on the Company's proprietary geophysical data for the area.

The joint venture between Lake Shore Gold and Northern Superior was formed in January of 2007 with each company contributing claims. Additional claims were staked to consolidate land holdings resulting in a mineral property consisting of 153 claims totaling 32,208 hectares. Nine claims are subject to an underlying 1.5% net smelter royalty payable to a third party, to a maximum of $2.5 million.

During the summer of 2007, Northern Superior initiated an exploration program consisting of a core drilling and overburden sampling. The diamond drill program consisted of 10 holes and was designed to determine if the anomalous gold grain values from previous sampling programs were derived from the area of the intrusive contact, while also providing information on the lithologies in the area of the Company's proprietary airborne geophysical data. The drilling program intersected narrow gold mineralization in one hole identifying the potential for additional mineralization on the property, and also identified a new, unexplored area of greenstone belt.

The concurrent overburden sampling program was completed over a wide area extending up-ice of the diamond drilling with the intent of more clearly defining the head of the dispersal train and bedrock source for the gold grains. The distribution and relative concentration of gold grains (particularly the large number of pristine gold grains) recovered from this program defined a much larger gold grain dispersal train with a broader or more apron-shaped outline. The recovered gold grains defined a dispersal apron approximately two kilometres down-ice from a fertile source with a strike length across-ice of at least six kilometres. The average number of gold grains identified in 98 overburden samples was 135, up to a maximum of 478. Analyzing overburden samples for the presence of gold grains is a common exploration procedure in overburden covered terrains. The gold grain values obtained exceed or equal those from significant gold deposits discovered elsewhere on the Canadian Shield (see press release October 15th, 2007). The number and distribution of gold grains associated with such a large gold-in-till dispersal apron is rare and suggests a significant bedrock source on the property.

Upon review of the compiled data, including the results from the 2007 exploration programs, the Company expanded the property size to 194 claims covering 40,416 hectares. The claims added to the eastern portion of the property covered the area up-ice of the 2007 overburden sampling program. Claims added to the west side of the property covered an area hosting a second anomalous overburden gold grain anomaly originally recognized during Superior's 2005 overburden sampling program and comparable in magnitude to the samples that led to the discovery of the gold-in-till dispersal apron. This gold grain anomaly, located northwest of the original claim block, is located along an interpreted extension of the greenstone belt approximately 22 kilometres west of the historical Rowlandson Lake gold occurrence on the east side of the property.

The Company undertook an aggressive exploration program during 2008. Activities included two diamond drill programs, an extensive overburden sampling program, bedrock and overburden mapping and an orientation induced polarization (I.P.) survey. Based on the variety of gold mineralization encountered during this program, it was recognized that the property had to be divided into three components to properly manage current and future exploration. The "New Growth" area covers the northwest part of the property and is considered early stage exploration. The "Big Dam" area encompasses the gold grain-in-till dispersal apron and covers the central part of the property. The TPK area covers the eastern part of the property and includes the trenches and showings from which the significant and historic Rowlandson Lake gold occurrences were reported (see press release November 20th, 2008).

The first diamond drill program was completed in the spring of 2008 and consisted of 21 holes located in the area north and east of the 2007 drill holes. The holes located closest to the 2007 drilling intersected gold mineralization assaying up to 3.44 g/t Au over 0.37 metres (CAN08-027) and 1.34 g/t Au over 0.48 metres (CAN08-031) hosted by gabbro and felsic intrusive rocks. More significant was the identification of a felsic intrusive rock with multiple zones of shearing associated with a high magnetic response on the joint-ventures proprietary airborne survey. Intersections in this granodiorite to tonalite intrusive ranged up to 1.05 g/t Au over 1.5 metres (CAN08-030) and 1.03 g/t Au over 0.5 metres (CAN08-026). These results were significant in identifying a style of gold mineralization previous unknown in the area, located up-ice of the gold in till anomalies.

An overburden sampling program was completed over the entire property, with a higher density of sampling done in the Big Dam area to aid in the identification of the head of the dispersal train. In the Big Dam area, the results from this program: 1) defined the lateral and up-ice boundaries of the apron to be 15 kilometres long from a fertile source area with a strike length of approximately 6 kilometres; 2) characterized the physical properties of the gold-bearing till sheet; and 3) constrained the source area of the gold grains. In the New Growth area, the reconnaissance overburden sampling program returned anomalous gold grain-in-till values in two new areas. Follow-up sampling will be required to define the size and nature of these new gold exploration targets.

In addition, prospecting in the area at the head of the gold grain-in-till dispersal apron lead to the discovery of a new gold showing consisting of several sub-parallel separate quartz veins hosted by shears in a massive granodiorite that returned 3.34 g/t Au and 8.9 g/t Au, both over 0.34 metres. Following this discovery, an orientation scale I.P. geophysical survey was completed over and around the area of the new gold showing and several anomalies were identified that could be related to the gold mineralization.

The results from the summer exploration sampling and mapping programs prompted a second diamond drilling program in the fall of 2008. The program focused initially on the TPK area of the property where twenty-five holes were completed to investigate the potential for additional mineralization (see press release, January 6th, 2009). The anomalous results were intersected in the 1004S and the 500S trenches. A series of six holes undercut the main 1400S, trench that hosted up to 20.67 g/t Au over 1.5 metres in channel samples collected in the summer of 2008. These holes intersected at least two zones of mineralization hosted by carbonate stringers with trace to 5% fine-grained pyrite in variably silicified mafic metavolcanic rocks. Assays range from anomalous values up to 4.0 g/t Au over 0.4 metres (CAN08-035) and 1.31 g/t Au over 1.5 metres (CAN08-033). A series of six holes undercut the 500S trench located approximately 275 metres north of the 1400S trench. The best interval from these holes returned 0.73 g/t Au over 1.5 metres in CAN08-042. Hole CAN08-050 intersected three anomalous intervals returning up to 1.0 g/t Au over 1.4 metre in a strongly sheared and altered mafic metavolcanic rock cut by carbonate-quartz veinlets north of the 500S trench. The gold mineralization in all of these intersections is open along strike and down dip indicating a potential for additional mineralization in the Rowlandson Lake area.

A series of eight holes were also drilled in the area of the head of the gold grain-in-till dispersal apron defined by the 2008 overburden sampling program and undercutting the newly discovered Big Dam gold showing. Five of these eight holes were drilled in two fences at the head of the apron and they intersected variably chloritized and silicified granodiorite to diorite cut by shears associated with splay structures branching off the regionally extensive Stull-Wunnumin fault zone to the west. The shears host intersections of up to 3.20 g/t Au over 0.3 metres and 1.53 g/t Au over 0.94 metres in CAN08-060 and 1.21 g/t Au over 0.96 metres in CAN08-053, located 100 metres to the west. The remaining three holes were completed as a north-south oriented fence which undercut the Big Dam showing. Multiple shears were intersected that hosted up to 5.38 g/t Au over 0.4 metres in CAN08-059 and 0.97 g/t Au over 0.4 metres in CAN08-060. Individually, these shears can be as thick as 3 metres or more and form an anastamosing shear package as much as several 100 metre wide. The intersection of these shear zones clearly demonstrated that the necessary geological setting exists to host a significant gold deposit(s). However, the drilling program did not intersect the source of gold grains responsible for the gold grain-in-till dispersal apron, as no visible gold was observed within the intersected material.

During the twelve months of 2008, Northern Superior spent $7,664,235 on the property and recovered $4,016,610 from Lake Shore Gold.

Thorne Lake Gold Property

The property was originally part of the Ellard Lake property; in 2008 the Company recognized the gold potential on certain areas of the Ellard Lake property and grouped certain claims that demonstrated gold potential under the Thorne Lake property.

Northern Superior previously explored the Ellard Lake area for diamonds, and also completed a regional overburden sampling program through the area in 2006. As with all its overburden sampling programs, the Company processed the samples not only for kimberlite indicator minerals but also for gold and a suite of selected base metal heavy minerals. From the regional survey, a gold grain-in-till dispersal train was defined in the Thorne Lake area. During the fall of 2008, the Company staked 26 claims or 6,656 hectares to cover the dispersal train and the potential source area.

The property is underlain by rocks of the Ellard Lake greenstone belt, and is located 15.5 kilometres west of the Sachigo River gold mine. This past producing mine generated 52,560 ounces of gold from 46,416 tons of ore for an average grade of approximately 1.1 oz Au/ t (38.8 g Au/ t) between 1938 to 1943. The gold was hosted by quartz veins in east-west trending shears in altered metavolcanic and intrusive rocks. The Ellard Lake greenstone belt is highly prospective for gold but poorly explored.

During the fall of 2008, the Company signed an Agreement with Sachigo Lake First Nations which allowed the completion of an overburden sampling program designed to better define the gold-in-till dispersal apron. Three gold grain-in-till dispersal trains were discovered, two of which are very similar to dispersal trains extending south from the Sachigo River gold mine. One 10.6 kg overburden sample collected from the Property during last fall's exploration program contained 476 gold grains, of which 454 are pristine. A 7.7 kg overburden sample associated with the Sachigo River gold mine contains 69 gold grains, of which 57 are pristine. This sample was collected by the Ontario Geological Survey within 100m of the Sachigo River mine site. The implication of these results clearly shows that the Thorne Lake property has a very high potential to host additional gold mineralization.

Wachigabau Property (formerly L'Espérance property)

On January 15, 2009, the Company signed an option and joint venture agreement with Matamec Exploration Inc. to explore for all commodities on the Wachigabau property in the Desmaraisville area of west-central Québec, with a particular focus on gold and base metals. The Wachigabau property includes the original L'Espérance property and other claims belonging to both parties are now part of this new agreement, which collectively contains 359 claims covering an area of 14,578 hectares, and will be explored under a new name, the Wachigabau property. The Wachigabau property is strategically located between the Lac Shortt gold mine to the northeast and the Coniagas zinc, lead, silver mine and Bachelor Lake gold mine and mill complex to the southwest. These mines are all associated with the Lake Opawica-Gwillim fault system. Mineralization known to occur on the Property include: 1) lode gold associated with quartz veining with values in drill hole intersections up to 5.39g/t Au over 2.4m, 10.3 g/t Au over 0.3m and 10.1 g/t Au over 1.0m; 2) Cu-Au remobilized along continuous fracture systems up to 2.62% Cu, 14g/t Ag and 3.14 g/t Au over a 3.25m drill hole intersection; and 3) the potential for volcanogenic Cu-Zn massive sulphide mineralization.

The signing of this agreement represents an excellent opportunity to explore for gold and other commodities within an established gold exploration and mining and milling camp. The Wachigabau project property is underlain by structures and geology associated with gold mineralization in the Bachelor Lake gold mine located 10 kilometres to the southwest and also overlies geology and structures associated with the Lac Shortt gold deposit 4.5 kilometres to the northeast. By entering into this agreement, the Company expands its opportunity for success on the property beyond diamond rights into other commodities.

Under the terms of the Agreement, Northern Superior can earn 50% of all mineral rights on the Wachigabau project property by paying to Matamec $25,000 cash and issuing 100,000 shares and 100,000 share purchase warrants. The Company has also committed to spending $500,000 (the timing of which is at the discretion of Northern Superior) over three years, of which $75,000 had already been spent as of the fall of 2008 on a ground magnetic survey. Once Northern Superior has met the requirements to earn its 50% interest, the Company and Matamec will form a 50-50 Joint Venture for all commodities on the property (both the Company and Matamec will have 50/50 interest on all metal and mineral rights, including diamonds). IAMGOLD retains certain back-in rights on some of the claims through agreements with Matamec. Northern Superior is the operator of the Project and is currently developing an exploration plan and budget.

Other Gold Properties

Northern Superior has an extensive database of overburden sampling results from programs initially completed for kimberlite indicator minerals but also processed for gold and a suite of selected base metal heavy minerals. The company is currently evaluating this gold and base metal data to identify other potential gold properties that may be potentially valuable projects for Northern Superior shareholders.

DIAMOND PROPERTIES

Ville Marie Project

The Ville Marie project is 100% owned by Northern Superior, except for property associated with the Lac Honorat kimberlite pipe. The property consists of ground owned by FieldEx Exploration Inc. ("FieldEx"), of which Northern Superior has 100% rights to the diamonds with FieldEx holding a 2% gross overriding royalty.

In 2007, Northern Superior discovered two kimberlite pipes: the Morin and Lac Honorat kimberlites. Although a microdiamond was recovered from the Morin kimberlite pipe, Northern Superior has determined that this pipe is likely not economic based on an interpretation of the kimberlite indicator mineral chemistry. However, the presence of a microdiamond, as well as the kimberlite indicator mineral geochemistry of this pipe's garnet, magnesium ilmenite and chrome diopside grains clearly indicates that the potential for an economic pipe in the Ville Marie region remains good. This interpretation is reinforced by the chemistry of kimberlite indicator minerals ("KIMs") recovered from overburden sediment samples collected from other KIM glacial dispersal trains in the area.

During 2008, Northern Superior completed three separate exploration programs on the Ville Marie property. A reverse circulation drilling program was completed during the first quarter in an area interpreted to host several kimberlites. During the second quarter a ground gravity survey, consisting of fill-in work and new areas, defined several anomalies in the south portion of the Property that are possible kimberlite targets. To properly evaluate these anomalies, kimberlite indicator minerals must be selected from previous overburden sampling and submitted for mineral chemistry analyses. The third program involved the submission of material from the Lac Honorat kimberlite pipe for petrographic examination and mineral chemistry analyses. Although the laboratory interpreted the mineral chemistry to indicate that this pipe sampled the mantle at too high a level for the recovery of economic diamonds from the pipe, the geothermometry from these same mineral grains indicates that the pipe originated in the portion of the mantle with the correct temperature required for diamond stability. The laboratories interpretation of the geothermometry means that the Ville Marie area remains highly prospective for a diamond deposit.

All data has now been received, but since economic conditions in the marketplace favour gold exploration over diamond exploration, the data is expected to be processed and interpreted during 2009. It is anticipated that the results from these programs will better define the location of additional kimberlite pipes. Geochemistry of indicator minerals associated with the new targets has yet to be completed. This exercise will prioritize targets for future drilling when a joint venture partner is found.

In late 2008, the Company decided to focus its efforts on the property on certain specific areas and as a consequence reduced the value of the property at December 31, 2008 to $2,000,000 and recorded a write down of $1,298,105.

Wachigabau Property (formerly L'Espérance property)

Until the recent signing of an agreement with the joint venture partners on the Wachigabau Property, the focus of Northern Superior's exploration program on the L'Espérance Property was for diamonds (see previous discussion regarding particulars of the new agreement).

As part of the diamond focused exploration, a detailed ground magnetic survey was completed in February 2008 over a small area in the south portion of the Property. A short diamond drill program was initiated following this survey and was completed during the second quarter of 2008. A number of mafic to ultramafic dykes were intersected during this program and submitted to Overburden Drilling Management Limited for lithologic identification. Material was also submitted to Mineral Service Canada for kimberlite indicator mineral chemistry analyses and interpretation of mantle source environment. As with the Ville Marie project, all data has now been received and is expected to be processed and interpreted during 2009.

Material from kimberlite float, discovered during the 2007 fall sampling program has also been forwarded to Mineral Service Canada for mineral chemistry analyses and interpretation of mantle source environment indicative of whether related kimberlite pipes have a potential to host diamonds. This geophysical information and the results of the mineral chemistry analyses will determine future targets for diamond drilling in the south portion of the Property.

The L'Espérance Project lies within the traditional territory of Waswanipi First Nation. Northern Superior has successfully completed an initial round of discussions with Waswanipi which accommodates the Company's current exploration program. Upon discovery of a diamondiferous kimberlite, Northern Superior will negotiate a Memorandum of Understanding with the Waswanipi First Nation.

Ellard Lake Property

In late 2008, the Company decided to focus its efforts on the property on certain specific diamond promising areas and as a consequence reduced the value of the property at December 31, 2008 to $149,903 and recorded a write down of $2,000,000.

URANIUM PROPERTIES

North Thelon Uranium Project

On July 7, 2008, the Company sold its interests in the North Thelon Uranium project. As part of the agreement, the Company was released from any exploration costs for 2008, leaving an extra $2.5 million available for Northern Superior's other projects, primarily the Ti-pa-haa-kaa-ning gold project. The shares of Forum received as part of the sale are subject to a trading restriction which will expire over a two year period with 25% of the shares available for sale after four months, 25% after 12 months, 25% after 18 months and the final 25% after 24 months.

RESULTS OF OPERATIONS

Year ended December 31,	**2008**	2007
Expenses		
Consulting and management fees	**$ 306,290**	$ 574,131
General exploration	**477,961**	332,748
Shareholder information	**288,323**	180,117
Legal and accounting	**102,369**	75,763
Office expense	**327,065**	419,131
Write down/write off of resource properties	**5,338,471**	789,146
Unrealized loss on available-for-sale investment	**945,000**	–
Travel	**92,348**	44,937
Loss before the undernoted	**(7,877,827)**	(2,415,973)
Interest income	**101,838**	330,896
Flow-through share interest expense	**(104,373)**	(40,500)
Loss before income taxes	**$ (7,880,362)**	$ (2,125,577)
Recovery of income taxes	**–**	1,609,000
Net loss for the year	**$ (7,880,362)**	$ (516,577)

Net loss for 2008 totaled $7,880,362 or $0.12 basic and diluted loss per share compared to a net loss of $516,577 or $0.01 basic and diluted loss per share in 2007. The higher net loss in 2008 compared to 2007, is primarily due to the higher write down of resource properties, an unrealized loss on investments in 2008 and decreased interest income as discussed below.

The Company reports stock-based compensation in the statement of loss and deficit by allocating the expense to i) office expense, ii) consulting and management fees, and to iii) general exploration for individuals involved in exploration work. The allocation of stock-based compensation for the years ended December 31, 2008 and 2007 were as follows:

Year ended December 31,	**2008**	2007
Office expense	**$ 96,240**	$ 227,388
Consulting and management fees	**86,106**	267,561
General exploration	**55,734**	121,941
Total stock-based compensation	**$ 238,080**	$ 616,890

Stock-based compensation of $238,080 in 2008 (2007 – $616,890) has been included in contributed surplus and was determined using the Black-Scholes option pricing model. A weighted average grant-date fair value of $0.16 (2007 – $0.33) for options granted was estimated using the following assumptions: no dividends are to be paid; volatility of 96.3% to 99.6% (2007 – 91%); risk free interest rate of 3.3% to 3.5% (2007 – 4.3%); and expected life of 5 years (2007 – 5 years). The decrease in the stock-based compensation expense in 2008 compared to the same period in 2007 is mostly due to fewer options granted in 2008 and lower weighted average grant-date fair value.

Consulting and management fees in 2008 decreased by $267,841 compared to 2007, primarily due to decrease in stock compensation expense and less use of consultants offset by increase in management fees charged to the Company (refer to the Related Party Transactions section on this MD&A).

General exploration is comprised of expenditures relating to the maintenance of an exploration office and expenditures of a general reconnaissance nature. General exploration expenditures in 2008 increased by $145,213 (or $211,420 excluding impact of decrease in stock-based compensation expense) compared to 2007 due to an increase in exploration activity.

Shareholder information expenses in 2008 increased by $108,206 and travel expenses increased by $47,411 compared to 2007, primarily due to increased public relation activity as the Company positioned itself as a major player in the gold exploration.

Interest income in 2008 compared to 2007, decreased by $229,058 due to less cash available in 2008.

During the first quarter of 2008, the Company renounced $6,746,740 of flow through expenditures (funds raised in 2007), of which $1,727,086 were spent on Canadian exploration expenditures ("CEE") as at December 31, 2007 and the remainder was spent on CEE in the fiscal year 2008.

During 2008, the Company wrote down the carrying value of the North Thelon property by $602,226, to its fair value of $1,080,000, the Ellard Lake property to $149,903 ($2,000,000 write down) and the Ville Marie property to $2,000,000 ($1,298,105 write down); also during 2008, the Company wrote off the carrying value of the Mistassini property ($1,438,140).

The Company recognized $945,000 loss on its investment in Forum in the income statement instead of other comprehensive loss since the decrease in value of investment is considered as less than temporary.

SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited financial statements.

Year ended December 31,	**2008**	2007	2006
Financial Results:			
Interest Income	**$ 101,838**	$ 330,896	$ 123,559
Net (Loss) Income	**(7,880,362)**	(516,577)	472,692
(Loss) Income per share* – basic and diluted	**(0.12)**	(0.01)	0.01
Financial Position:			
Working Capital	**2,947,500**	8,684,690	4,583,910
Resource Properties	**9,157,273**	10,763,979	6,832,957
Future Tax Assets	**–**	1,822,000	1,605,000
Total Assets	**12,784,293**	22,007,361	13,426,190
Share Capital	**27,013,143**	28,809,643	21,454,656
Contributed Surplus	**3,454,461**	3,216,381	1,526,493
Deficit	**(18,114,504)**	(10,234,247)	(9,717,670)
Number of shares issued and outstanding	**63,689,526**	63,539,526	46,222,864

**(Loss) Income per share is calculated based on the weighted average number of shares outstanding.*

QUARTERLY FINANCIAL INFORMATION

Fiscal Quarter ended	**Dec 31, 2008**	Sept 30, 2008	June 30, 2008	March 31, 2008
Interest Income	**8,286**	9,386	23,759	60,407
Net Loss	**(4,584,884)**	(1,823,640)	(1,082,865)	(388,973)
Net Loss per share* – basic and diluted	**(0.07)**	(0.03)	(0.02)	(0.01)

Fiscal Quarter ended	Dec 31, 2007	Sept 30, 2007	June 30, 2007	March 31, 2007
Interest Income	86,765	102,241	62,903	38,487
Net Income (Loss)	322,240	(308,375)	(168,549)	(361,893)
Net Income (Loss) per share* – basic and diluted	0.01	(0.00)	(0.00)	(0.01)

**Basic and diluted (loss) income per share is calculated based on the weighted average number of shares outstanding.*

The net loss for the fourth quarter of 2008 increased by $2,761,244 from the net loss in the previous quarter primarily due to the higher write down charges in the fourth quarter as compared to the third quarter and recognition of the decrease in value of Forum investment in the statement of loss in the fourth quarter (part of accumulated other comprehensive loss in the third quarter).

The quarterly losses in 2008 are higher than the quarterly losses in 2007 primarily due to higher write off of resource properties in 2008 and no future tax recovery compared to $1,609,000 in 2007. The Company recorded net income in the fourth quarter of 2007 primarily due to the future income tax recovery of $1,609,000.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company is not in commercial production on any of its mineral properties and accordingly, it does not generate cash from operations. The Company finances its activities by raising capital through the equity markets. At December 31, 2008 the Company had cash of $1,582,444 and working capital of $2,947,500 and no debt.

Cash used in operating activities in 2008 was $1,076,263 (2007 – $721,722). Write down/write off of resource properties, stock-based compensation expense, unrealized loss on available-for-sale investment and changes in non-cash working capital items make up the amounts that reconcile the statement of loss for to the statement of cash flows from operating activities.

Prepaids and other receivables at December 31, 2008 include $782,352 in refundable tax credits from the Government of Québec and $924,755 net receivable from Lake Shore Gold, the joint venture partner in the Ti-pa-haa-kaa-ning project (which was received subsequent to year end).

During 2008, the Company incurred expenditures of $4,121,117 on resource properties (net of cost recoveries from Lake Shore Gold of $4,016,610 and Québec refundable taxes of $301,047). The Company's principal investing activity is the acquisition and exploration of its mineral properties. The Company's expenditures on resource properties in 2008 were incurred mainly in drilling ($5,715,939) and geology ($1,752,732).

As a result of the renunciation of flow through expenditures in February 2008 (funds raised in 2007), the Company reduced its future income tax asset by $1,822,000 with the corresponding charge applied directly to share capital.

The Company has sufficient working capital to fund near-term ongoing planned operating and exploration expenditures. However, the Company will be dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties beyond currently planned near-term activities. Management believes that additional financing is available and may be sourced in time to allow the Company to continue its activities in the normal course. There can, however, be no assurance the Company will be able to raise funds in the near future, in which case management may delay the planned exploration activities on some of its properties until funds become available.

As at the date of this report, the Company's liquidity did not include any holding of asset-backed commercial paper.

OUTSTANDING SHARE CAPITAL

As at March 19, 2009 there were 63,989,526 common shares issued and outstanding and the following options and warrants:

OPTIONS

Number of options	Exercise price
375,000	$0.00–$0.19
965,000	$0.20–$0.39
935,000	$0.40–$0.59
415,000	$0.60–$0.79
2,690,000	

WARRANTS

Date issued	Number	Exercise price	Expiry date
May 28, 2007	1,106,119	$0.60	May 27, 2009
May 28, 2007	5,422,100	$0.75	May 27, 2009
February 25, 2009	100,000	$0.09	February 25, 2011
	6,628,219		

RELATED PARTY TRANSACTIONS

The following are related party transactions for the years ended December 31, 2008 and 2007:

Fees amounting to $5,775 (2007 – $28,349) were paid on account of consulting and management services provided by directors.

Effective June 1, 2008, the Company entered into an administrative service agreement with Lake Shore Gold, a related party by virtue of certain common directors, whereby Lake Shore Gold will provide to the Company certain corporate governance, finance, investor relations and certain accounting and administrative services. Under the agreement, certain officers of Lake Shore Gold are providing management services to the Company. Lake Shore Gold charged $112,000 to Northern Superior for services during 2008. The agreement will be terminated effective April 30, 2009. Accounts payable and accrued charges at December 31, 2008 include $109,937 due to Lake Shore Gold (December 31, 2007 – $11,641).

Accounts receivable at December 31, 2008 include $924,755 (December 31, 2007 – $341,627) due from Lake Shore Gold, representing Lake Shore Gold's share for Ti-pa-haa-kaa-ning property expenditures.

In addition, during the years ended December 31, 2008 and 2007, there were fees of $40,000 (2007 – $41,000) paid to Southwestern Resources Corp. ("Southwestern"), a company related by way of an administrative services agreement, terminated on May 1, 2008; as such effective May 1, 2008, Southwestern is no longer considered a related party. Accounts payable and accrued charges at December 31, 2008 include $Nil (December 31, 2007 – $14,840) due to Southwestern.

COMMITMENTS AND CONTINGENCIES

The agreement with Matamec signed on January 15, 2009, related to the Wachigabau property, provides that the Company can earn 50% of all metals and minerals rights (other than diamond rights which the Company earned in before the signing of the option agreement) by paying $25,000, issuing 100,000 common shares of the Company and 100,000 purchase warrants and spending $500,000 over a period of three years for all metals and minerals (except for kimberlites and diamonds). As at the date of this MD&A, the Company has issued to Matamec the 100,000 common shares and 100,000 common share purchase warrants (refer to "Warrants" section on this MD&A) and paid the cash requirement of $25,000.

At December 31, 2009, the Company's existing contractual obligations (in addition to contingencies with Matamec as discussed above) are as follows:

	2009	2010	2011	2012 and thereafter	Total
Accounts payable and accrued liabilities	$ 431,193	$ –	$ –	$ –	$ 431,193
Office rent and other	49,389	45,060	12,000	–	106,449
	$ 480,582	$ 45,060	$ 12,000	$ –	$ 537,642

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are discussed in Note 2 to the financial statements for the year ended December 31, 2008. Management considers the following policies to be most critical in understanding the judgments that are involved in producing the Company's consolidated financial statements and the estimates made that could impact results of operations:

Resource properties and deferred exploration

Acquisition costs of resource properties together with direct exploration and development expenditures are capitalized. When production is attained, these costs will be amortized. When capitalized expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties that are abandoned are written off when the decision to abandon is made. The recoverability of the amounts shown for resource properties and deferred exploration is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet its obligations under various agreements, and the success of future operations or dispositions.

Future taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes are recorded for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. Significant estimates include the timing of the reversal of the Company's book to tax differences.

Stock options and warrants

The Company uses a Black-Scholes model to determine the fair value of options and warrants. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, prepaids and other receivables, investment and accounts payable and accrued charges. It is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA"), Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. The accounting policy changes as a result of these new standards are as follows:

(A) Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject. The Company has included disclosures recommended by Section 1535 in notes to the financial statements.

(B) Financial Instruments – Disclosures and Financial Instruments – Presentation

Section 3862 modifies the disclosure requirements of Section 3861, Financial Instruments – Disclosure and Presentation, including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks, whereas Section 3863 carries forward the presentation related requirements of Section 3861. The Company has included disclosures recommended by Section 3862 and Section 3863 in notes to the financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

(A) Convergence with International Financial Reporting Standards

In February 2008 the Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as at January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Company has developed a plan for IFRS convergence and has started the implementation process. Detailed analysis of the differences between IFRS and the Company's accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress. Due to anticipated changes in IFRS prior to transition, it is currently not possible to fully determine the impact in the results.

(B) General Standards of Financial Statements Presentation – Section 1400

In January 2009, the CICA adopted sections 1582, "*Business Combinations*", 1601, "*Consolidated Financial Statements*", and 1602, "*Non-Controlling Interests*" which superseded current sections 1581, "*Business Combinations*" and 1600, "*Consolidated Financial Statements*". These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to IFRS.

RISKS AND UNCERTAINTIES

History of Net Losses; Uncertainty of Additional Financing

To date, Northern Superior has had no revenue from mining operations and has not yet found that development activity is warranted on any of its properties. Even if the Company does undertake development activity on any of its properties, there is no certainty that it will produce revenue, operate profitably or provide a return on investment in the future.

Northern Superior has incurred losses in most years of its operations. The exploration of the Company's properties depends on Northern Superior's ability to obtain additional required financing. There is no assurance that the Company will be successful in obtaining the required financing, which could cause Superior to postpone its exploration plans or result in the loss or substantial dilution of its interest in its properties as disclosed herein.

Possible Loss of Interests in Exploration Properties; Possible Failure to Obtain Mining Licenses

The agreements pursuant to which Northern Superior acquired interests in certain properties require Northern Superior to make a series of payments in cash and/or common shares over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. If Northern Superior fails to make such payments or expenditures in a timely fashion, Northern Superior may lose its interest in those properties. Further, even if Northern Superior does complete exploration activities, it may not be able to obtain the necessary licenses or permits to conduct mining operations on the properties, and thus would realize no benefit from its exploration activities on the properties.

Mineral Exploration Activities Inherently Risky

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production and there is a risk that none of the Company's properties is commercially viable. Transportation, wildlife, unusual or unexpected formations, formation pressures, fires, labour disruptions, flooding, explosions, cave-ins and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in extraction operations and the conduct of exploration programs. Although Northern Superior carries liability insurance with respect to its mineral exploration operations, Northern Superior may become subject to liability for damage to life and property, environmental damage or hazards against which it cannot insure or against which it may elect not to insure. There are also physical risks to the exploration personnel working in the rugged terrain of northern Canada, often in challenging climate conditions. Exploration programs are dependent upon sufficient logistical support, including camps, fuel, and transportation, to allow productive exploration activities during field seasons. A breakdown in logistical support could severely curtail the Company's planned exploration programs.

Previous mining and/or exploration operations may have caused environmental damage at certain of Northern Superior's properties. It may be difficult or impossible to assess the extent to which such damage was caused by Northern Superior or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective.

If any of Northern Superior's properties is found to have a commercially viable mineral deposit, Northern Superior would be subject to additional risks respecting any development and production activities. Most exploration projects do not result in the discovery of commercially mineable mineral deposits.

Operating in Areas within First Nation Territories

Many of Northern Superior's properties are located in areas traditionally used or occupied by First Nation groups and which may be subject to aboriginal rights. Government permits, including environmental and mine permits will not be granted unless the government is satisfied that the rights and concerns of the aboriginal groups have been properly considered and, if necessary, accommodated. In order for the Company to get the permits it needs to proceed with mineral exploration and exploitation activities on its properties, it may be required to enter into agreements with First Nation groups and there can be no guarantee that the Company will be able to reach an agreement with the First Nations on commercially reasonable terms. Failure to obtain an agreement or otherwise satisfy the government as to the reasonableness of the Company's efforts to consult or accommodate aboriginal rights may result in the Company failing to obtain necessary government permits, which could have a material and adverse effect on the Company and its business and could result in the Company not meeting its business objectives.

Northern Superior at Exploration Stage Only; No Experience in Placing Properties into Production

Northern Superior has no experience in placing mineral properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise.

Title Risks

Although title to its properties has been reviewed by or on behalf of Northern Superior, 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 Northern Superior's ability to ensure that it has obtained secure claim to individual mineral properties may be severely constrained. Northern Superior 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, Northern Superior may be unable to conduct work on the properties as permitted or to enforce its rights with respect to its properties.

Risks Associated with Joint Venture Agreements

Northern Superior's interests in its various properties are subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on Northern Superior's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on Northern Superior's business prospects, results of operations and financial condition: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability or refusal of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

Third Party Reliance

Northern Superior's rights to acquire an interest in certain resource properties may have been granted by third parties who themselves hold only a lease or an option to acquire such properties. If such persons fail to fulfill their obligations, Northern Superior could lose its interest in the property and may have no meaningful recourse, as it does not have any direct contractual arrangements with the underlying property holders. Where Northern Superior's interests in resource properties are managed or operated by third parties, Northern Superior's interests may be adversely affected in the event such third parties mismanage the operations being carried out on such properties.

Risks Relating to Statutory and Regulatory Compliance

The current and future operations of Northern Superior, from exploration through development activities and commercial production, if any, are and will be governed by laws and regulations governing mineral claims acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Northern Superior has received all necessary permits for the exploration work it is presently conducting, however, there can be no assurance that all permits which Northern Superior may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which Northern Superior may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions thereunder, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. Northern Superior may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. Northern Superior is not currently covered by any form of environmental liability insurance. See "Insurance Risk", below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on Northern Superior and cause increases in capital expenditures or require abandonment of, or delays in, exploration.

Insurance Risk

No assurance can be given that insurance to cover the risks to which Northern Superior's activities are subject will be available at all or at commercially reasonable premiums. Northern Superior currently maintains insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development. Northern Superior carries liability insurance with respect to its mineral exploration operations, but as noted above is not currently covered by any form of environmental liability insurance, since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to Northern Superior. If Northern Superior is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Competition

Significant and increasing competition exists for mineral deposits in each of the jurisdictions in which the Company conducts operations. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mining claims or financing on terms it considers acceptable. The Company also competes with other mining companies in the recruitment and retention of qualified employees.

Marketing

There is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of Northern Superior may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of commercial markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Northern Superior not receiving an adequate return on invested capital.

Competition, government policies or trade restrictions regarding uranium, are beyond the control of Northern Superior and may affect the supply of uranium available in the US and Europe, which are the largest markets for uranium in the world. Furthermore, growth of the uranium and nuclear power industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. An accident at a nuclear reactor anywhere in the world could impact the continuing acceptance of nuclear energy and the future prospects for nuclear generation, which may have a material adverse impact on Northern Superior's uranium interests.

Price and Currency

Mineral prices may fluctuate significantly from period to period, and even if commercial quantities of diamonds, uranium or gold are developed, a profitable market may not exist for the sale of such minerals. If a profitable market does not exist, the Company could have to cease operations.

Northern Superior raises its equity, incurs expenses and maintains its accounts in Canadian currency, but minerals markets may transact in currencies that fluctuate against the Canadian dollar. An increase in the value of the Canadian dollar against the currency used for particular mineral transactions may make such transactions uneconomic for the Company. Northern Superior does not engage in currency hedging activities.

Dependence on Key Management and Employees

Northern Superior's development depends on the efforts of key members of management and employees. Loss of any of these people could have a material adverse effect on Northern Superior. Northern Superior has consulting agreements with its key employees, which provide, among other things, that either party may terminate on 30 days notice. Northern Superior does not have key man insurance with respect to any of its key employees.

Conflicts

Certain of the directors of Northern Superior also serve as directors of other companies involved in mineral resource exploration and development and, to the extent that such other companies may participate in ventures in which Northern Superior may participate, there exists the possibility for such directors to be in a position of conflict. In accordance with the laws of British Columbia, directors of Northern Superior are required to act honestly, in good faith and in the best interests of Northern Superior. In addition, such directors will declare and abstain from voting on any matter in which such directors may have a conflict of interest.

Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, including Northern Superior, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in the Company's share price will not occur.

CORPORATE GOVERNANCE

The Company's Board of Directors follows corporate governance policies for public companies to ensure transparency and accountability to shareholders.

The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three independent directors, meets with management and the external auditors on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters.

CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and maintenance of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian generally accepted accounting principles. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

FORWARD-LOOKING STATEMENTS

Some of the statements in this document constitute "forward-looking statements". Where Northern Superior expresses an expectation or belief as to future events or results, including management plans and objectives, and projections of exploration results, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions. While these statements represent our best current judgment, they are subject to risks and uncertainties that could cause actual results to vary, the specifics of which are detailed in disclosures with the heading "Risk Factors" above and in the Company's periodic filings with securities regulators. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements in this MD&A are made as of the date of this MD&A or, in the case of documents incorporated by reference herein, as of the date of such documents, and Northern Superior does not assume the obligation to update any forward-looking statement.

QUALITY CONTROL

Northern Superior Resources has a quality control program to ensure best practices in the sampling and analysis of drill core. The drill core is either mechanically split or sawn in half, one half is sampled with interval lengths based on lithology, vein, mineralization, structure, or alteration zone within the limits of a maximum sample length of 1.5 m and a minimum sample length of 0.3 m.. Each interval is recorded in an assay tag book, and a removable duplicate portion of that sample's tag placed into a sample bag inscribed with that number with the half the core. Sample numbers and the corresponding intervals were recorded on the paper logging form and transferred to the Excel spreadsheet drill log. All tag books are archived. The remaining half of the core remains in the core box and stored in a secure location. Core samples are transported in security-sealed 20L pails to external laboratories for analysis. Standard reference materials are inserted into the sample stream prior to shipment from site at the approximate rate of 1 per 15 samples in order to monitor the quality control of the assay data. Routine assaying at the laboratories are completed using a standard fire assay – atomic absorption finish on a 30-gram aliquot. Assays showing visible gold or that return greater than predetermined thresholds are re-analyzed using the pulp metallic method. Batches of samples containing standards or blanks exceeding predetermined tolerance limits are also re-assayed.

QUALIFIED PERSON

The Company's Qualified Persons ("QPs") (as defined in National Instrument 43-101, "Standards of Disclosure for Mineral Projects") for the Ti-pa-haa-kaa-ning, Thorne Lake and Wachigabau projects are Thomas Hart P. Geo and Donald Boucher P. Geo. As QPs, Messrs. Hart and Boucher have prepared or supervised the preparation of the scientific or technical information for the properties as stated in this MD&A.

ADDITIONAL INFORMATION

Additional information is provided in the Company's audited financial statements for the year ended December 31, 2008 and 2007 and the Company's Information Circular. These documents are available on SEDAR at www.sedar.com.

Auditors' Report

To the Shareholders of Northern Superior Resources Inc.:

We have audited the balance sheets of Northern Superior Resources Inc. (formerly Superior Diamonds Inc.) as at December 31, 2008 and 2007 and the statements of loss and deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 19, 2009

Balance Sheets

As at December 31,	**2008**	2007
Assets		
Current		
Cash and cash equivalents	**$ 1,582,444**	$ 6,800,777
Prepaids and other receivables *note 4*	**1,796,249**	2,099,497
	3,378,693	8,900,274
Investment *note 5*	**135,000**	–
Other receivables *note 4*	**63,486**	480,101
Resource properties *note 5*	**9,157,168**	10,763,979
Property, plant and equipment (net of accumulated amortization of $16,922 (2007 – $4,803))	**49,841**	41,007
Future income tax asset *note 6*	**–**	1,822,000
	$ 12,784,188	$ 22,007,361
Liabilities		
Current		
Accounts payable and accrued charges *note 8*	**$ 431,193**	$ 215,584
Shareholders' Equity		
Share capital *note 7(b)*	**27,013,143**	28,809,643
Contributed surplus *note 7(e)*	**3,454,461**	3,216,381
Deficit	**(18,114,609)**	(10,234,247)
	12,352,995	21,791,777
	$ 12,784,188	$ 22,007,361

Basis of presentation *note 1*

Commitments and contingencies *notes 5 and 12*

Subsequent events *notes 5, 8 and 13*

See accompanying notes to financial statements

APPROVED BY THE BOARD

Alan C. Moon **Arnold Klassen**

Statements of Loss and Comprehensive Loss and Deficit

For the years ended December 31,	**2008**	2007
Expenses		
Consulting and management fees *notes 7(d) and 8*	**$ 306,290**	$ 574,131
General exploration *note 7(d)*	**477,961**	332,748
Shareholder information	**288,323**	180,117
Legal and accounting	**102,369**	75,763
Office expense *note 7(d)*	**327,065**	419,131
Write down/write off of resource properties *note 5*	**5,338,471**	789,146
Unrealized loss on available-for-sale investment *note 5*	**945,000**	–
Travel	**92,348**	44,937
Loss before the undernoted	**(7,877,827)**	(2,415,973)
Interest income	**101,838**	330,896
Flow-through share interest expense	**(104,373)**	(40,500)
Loss before income taxes	**$ (7,880,362)**	$ (2,125,577)
Recovery of income taxes	**–**	1,609,000
Net loss and comprehensive loss for the year	**$ (7,880,362)**	$ (516,577)
Deficit, beginning of year	**$ (10,234,247)**	$ (9,717,670)
Deficit, end of year	**$ (18,114,609)**	$ (10,234,247)
Net loss per share – basic and diluted *note 7(h)*	**$ (0.12)**	$ (0.01)
Weighted-average number of shares outstanding	**63,587,608**	56,488,396

See accompanying notes to financial statements

Statements of Cash Flows

For the years ended December 31,		**2008**		2007
Operating Activities				
Net loss for the year	**$**	**(7,880,362)**	$	(516,577)
Items not involving cash				
Write down/write off of resource properties *note 5*		**5,338,471**		789,146
Unrealized loss on available-for-sale investment *note 5*		**945,000**		–
Recovery of income taxes		**–**		(1,609,000)
Stock-based compensation *note 7(d)*		**238,080**		616,890
		(1,358,811)		(719,541)
Change in non-cash operating working capital items:				
Increase (decrease) in prepaids and other receivables		**94,923**		(63,293)
Increase in accounts payable and accrued charges		**187,625**		61,112
Cash used in operating activities		**(1,076,263)**		(721,722)
Investing Activities				
Resource property expenditures		**(4,121,117)**		(6,399,661)
Additions to property, plant and equipment		**(20,953)**		(45,810)
Cash used in investing activities		**(4,142,070)**		(6,445,471)
Financing Activities				
Proceeds from private placement, net of share issue costs		**–**		9,135,202
Exercise of stock options and warrants		**–**		598,783
Cash provided by financing activities		**–**		9,733,985
(Decrease) increase in cash and cash equivalents during the year		**(5,218,333)**		2,566,792
Cash and cash equivalents at beginning of year		**6,800,777**		4,233,985
Cash and cash equivalents at end of year	**$**	**1,582,444**	$	6,800,777
Cash and cash equivalents consist of:				
Cash	**$**	**1,582,444**	$	29,201
Short-term investments		**–**		6,771,576
Cash and cash equivalents at end of year	**$**	**1,582,444**	$	6,800,777

Supplemental cash flow information *note 10*

See accompanying notes to financial statements

Notes to Financial Statements

For the years ended December 31, 2008 and 2007

1. BASIS OF PRESENTATION

Northern Superior Resources Inc. ("Northern Superior" or the "Company") is a development stage junior mining company engaged in the identification, acquisition, evaluation and exploration of gold and diamonds properties in Canada. The Company has not determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and attaining future profitable production from the properties or proceeds from disposition.

The Company has sufficient working capital in the near term to fund ongoing planned operating and exploration expenditures. However, the Company is dependent on raising funds through the issuance of shares, obtaining debt financing and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties. Management believes that additional financing is available and may be sourced in time to allow the Company to continue its current planned activities in the normal course. There can, however, be no assurance the Company will be able to raise funds in the near future, in which case management may delay exploration activities on some of its properties until funds become available.

In April 2008, the Company changed its name from Superior Diamonds Inc. to Northern Superior Resources Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and reflect the following policies:

a) Financial Instruments

The Company classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other financial liabilities. Items held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of loss and deficit.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Exploration advances and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued charges are classified as other financial liabilities which are measured at amortized cost. The Company has classified its investment in a public company as available-for-sale and therefore carries it at fair market value, with the unrealized gain or loss recorded in shareholders' equity as a component of other comprehensive loss. These amounts will be reclassified from shareholders' equity to net income when the investment is sold or when the investment is impaired and the impairment is considered less than temporary. The Company has not classified any financial assets as held-to-maturity.

b) Cash and Cash Equivalents

Cash and cash equivalents includes those short-term money market instruments which, on acquisition, have a term to maturity of three months or less.

c) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and amortized on a straight line basis over asset's useful life.

Depreciation rates for each class of asset are as follows:

Office and other equipment	20%
Computer equipment	30%

d) Resource properties

Resource properties and related exploration costs are recorded at cost on a property-by-property basis. The Company considers its exploration and evaluation costs to have the characteristics of property, plant and equipment. As such, the Company defers all exploration and evaluation costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties, until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made. Costs incurred for general exploration, including expenditures of a general reconnaissance nature, that are not project specific or do not result in the acquisition of resource properties are charged to operations.

Long-lived assets including resource properties are reviewed for impairment to determine whether a write down of their carrying amount is required. Factors such as metal prices (gold and diamond prices), the ability of the Company to finance the projects and exploration results to date are considered in determining whether indicators of impairment exists. Since the Company has not established mineral reserves on its properties, and therefore does not have a basis to prepare cash flow projections to support the carrying amount of these assets, the Company assesses the fair value of the properties to determine if a write down is required when indicators of impairment are present.

e) Future Income Taxes

The Company uses the asset and liability method in accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

f) Asset Retirement Obligations

Asset retirement obligations consist of legal obligations associated with the retirement of tangible, long-lived assets that result from the acquisition, construction, development or operation of the assets. The retirement of a long-lived asset is its permanent removal from service, sale, abandonment or disposal.

Asset retirement obligations are recognized as they are incurred and recorded as liabilities at fair value.

The liability is accreted over time through periodic charges to income. Actual expenditures incurred are charged against the accumulated obligation. The asset retirement cost is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life.

Management has determined that it has no asset retirement obligations at this time.

g) Stock-based Compensation

The Company has a stock-based compensation plan which is described in note 7(d).

The stock-based compensation cost is based on the estimated fair value of new options granted to employees, consultants, officers and directors. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option-pricing model and is expensed over the vesting period.

h) Basic and Diluted Loss per Share

Basic loss per share is computed by dividing net loss by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants using the treasury stock method. In periods where a net loss is reported, all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

i) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Significant estimates where management's judgment is applied include asset valuations, asset retirement obligations, income taxes, contingent liabilities, stock based compensation and ability to continue as a going concern. Actual results may differ from those estimates.

3. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

A. CHANGES IN ACCOUNTING POLICIES

(a) Capital Disclosures and Financial Instruments

Effective January 1, 2008, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA"), Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. The accounting policy changes as a result of these new standards are as follows:

(i) Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject. The Company has included disclosures recommended by Section 1535 in note 11 to these financial statements.

(ii) Financial Instruments – Disclosures and Financial Instruments – Presentation

Section 3862 modifies the disclosure requirements of Section 3861, Financial Instruments – Disclosure and Presentation, including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks, whereas Section 3863 carries forward the presentation related requirements of Section 3861. The Company has included disclosures recommended by Section 3862 and Section 3863 in note 9 to these financial statements.

(b) General Standards of Financial Statements Presentation – Section 1400

In June 2007, the CICA amended Section 1400, *"General Standards of Financial Statement Presentation"*, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The amendments to Section 1400 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at December 31, 2008 and for the year then ended.

These financial statements have been prepared using Canadian GAAP applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

In considering the going concern assertion, management has made significant judgments and estimates with respect to the potentially adverse financial and liquidity effects of the Company's risk and uncertainties associated with the current global economic conditions, current and future commodity prices, its ability to access capital markets and its ability to meet its future financial obligations.

It is possible that the outcome of management's estimates could be materially different and management's significant judgments or estimates about the potential effects of the risks and uncertainties could prove materially different which may affect its ability to operate as a going concern.

B. RECENT ACCOUNTING PRONOUNCEMENTS

(a) Convergence with International Financial Reporting Standards

In February 2008 the Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as at the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Company has developed a plan for IFRS convergence and has started the implementation process. Detailed analysis of the differences between IFRS and the Company's accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress. Due to anticipated changes in IFRS prior to transition, it is currently not possible to fully determine the impact in the consolidated results.

(b) Business Combinations / Consolidated Financial Statements / Non–Controlling Interests

In January 2009, the CICA adopted sections 1582, *"Business Combinations"*, 1601, *"Consolidated Financial Statements"*, and 1602, *"Non-Controlling Interests"* which superseded current sections 1581, "Business Combinations" and 1600, *"Consolidated Financial Statements"*. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to IFRS.

4. PREPAIDS AND OTHER RECEIVABLES

Prepaids and other receivables consist of the following:

Years ended December 31,	**2008**	2007
Québec Government refundable tax credits	**$ 782,352**	$ 1,990,703
Due from Lake Shore Gold Corp. *note 8*	**924,755**	341,627
Prepaid deposits	**3,100**	2,200
Sales tax receivable – net	**119,919**	55,473
Prepaid insurance	**23,752**	18,450
Other receivables	**5,857**	171,145
Total	**$ 1,859,735**	$ 2,579,598
Less: Current portion	**(1,796,249)**	(2,099,497)
Non current portion	**$ 63,486**	$ 480,101

5. RESOURCE PROPERTIES

For the year ended December 31, 2008	North Thelon	Ti-pa-haa-kaa-ning	Ville Marie	Wachigabau	Other*	Total
Balance, beginning of year	$ 1,275,568	$ 1,610,111	$ 3,092,623	$ 872,104	$ 3,913,573	$ 10,763,979
Property acquisition, assessment and maintenance	217	243,434	9,327	38,895	15,135	307,008
Analytical	19,837	393,341	39,533	17,079	37,731	507,521
Geophysics	272	81,958	83,220	44,818	–	210,268
Geology	216,279	1,186,944	39,152	97,201	213,156	1,752,732
Drilling	75,000	5,247,909	92,700	300,330	–	5,715,939
Research	22,901	441,618	2,206	8,546	12,594	487,865
Project administration	72,152	69,031	3,403	1,643	1,755	147,984
Resource properties costs written down	(602,226)	–	(1,298,105)	–	(3,438,140)	(5,338,471)
Québec refundable tax credits	–	–	(64,059)	(200,996)	(35,992)	(301,047)
Cost recovery**	–	(4,016,610)	–	–	–	(4,016,610)
Sale of resource property	(1,080,000)	–	–	–	–	(1,080,000)
Balance, end of year	$ –	$ 5,257,736	$ 2,000,000	$ 1,179,620	$ 719,812	$ 9,157,168

** Includes Ellard Lake ($149,903), Thorne Lake ($403,767) and Other ($166,142).*

*** Northern Superior recorded a cost recovery of $4,016,610 from Lake Shore Gold Corp.*

For the year ended December 31, 2007	North Thelon	Ti-pa-haa-kaa-ning	Ville Marie	L'Espérance	Other*	Total
Balance, beginning of year	$ 164,513	$ 860,755	$ 1,094,209	$ 377,337	$ 4,336,143	$ 6,832,957
Property acquisition, assessment and maintenance	14,819	212,174	37,378	60,694	228,192	553,257
Analytical	4,902	38,395	289,692	126,732	104,100	563,821
Geophysics	19,654	1,610	232,383	580	–	254,227
Geology	845,865	424,961	601,933	120,294	28,519	2,021,572
Drilling	18,962	276,631	2,300,593	511,164	1,238	3,108,588
Research	9,569	98,058	–	–	20,644	128,271
Project administration	197,284	19,817	3,786	99	95	221,081
Québec refundable tax credits	–	–	(1,467,351)	(324,796)	(16,212)	(1,808,359)
Resource property costs written off	–	–	–	–	(789,146)	(789,146)
Cost recovery**	–	(322,290)	–	–	–	(322,290)
Balance, end of period	$ 1,275,568	$ 1,610,111	$ 3,092,623	$ 872,104	$ 3,913,573	$ 10,763,979

Includes Ellard Lake ($2,154,607), Mistassini ($1,432,529), Thorne Lake ($211,965) and Other ($114,472).

** *Northern Superior recorded a cost recovery of $322,290 from Lake Shore Gold Corp.*

Ti-pa-haa-kaa-ning property

In January 2007 the Company entered into a 50/50 joint venture agreement with Lake Shore Gold Corp. ("Lake Shore Gold"), a related party by virtue of certain common directors, for gold exploration on Lake Shore Gold's Ti-pa-haa-kaa-ning property in northwestern Ontario. Under the terms of the agreement, the Company contributed mineral claims, issued 75,000 Northern Superior common shares, and agreed to spend $500,000 on exploration over three years, which were incurred as at December 31, 2007. As such, The Company met its spending requirements in 2007 and earned into the unincorporated joint venture. The Company is the operator under the agreement.

On July 10, 2008, the Company entered into an Early Economic Benefits Agreement ("EEBA") with Neskantaga First Nation ("Neskantaga"), which defines the working relationship between the Company and Neskantaga at the current early stage of exploration associated with the Ti-pa-haa-kaa-ning project. This agreement allows the Company to continue exploration for three years or until the exploration program proceeds to an advanced exploration stage involving the delineation of a resource. The Company agreed to pay a monthly administration fee and any consulting fee, accommodation, meals, transportation, fuel service, construction and any other services as defined by the needs of the projects during the implementation of the EEBA.

Wachigabau (formerly L'Espérance) property

In August 2005, the Company entered into an agreement ('the original agreement") with Matamec Exploration Inc. ("Matamec") and Cambior Inc. (now IAMGOLD Corporation) ("IAMGOLD"), whereby Northern Superior can earn 100% of the diamond rights in the L'Espérance (now Wachigabau) property by spending $1.5 million on exploration within five years and issuing to Matamec and IAMGOLD a total of 540,000 common shares over this period. The agreement is subject to a gross overriding royalty of 2.5% of annual net sales proceeds. Northern Superior can purchase 1.5% of the royalty by paying $3 million with the residual 1.0% of the royalty remaining with the royalty holder.

As at December 31, 2008, the Company had issued 340,000 common shares and had satisfied its $1.5 million expenditure commitment under the agreement; subsequent to year end, the Company issued another 200,000 common shares and as such earned the 100% diamond rights on the property.

On January 15, 2009, the Company and Matamec signed an option and joint venture agreement ("the option agreement"), whereby Northern Superior can earn 50% of all metals and minerals rights (other than diamond rights which the Company earned in before the signing of the option agreement) by paying $25,000, issuing 100,000 common shares of the Company and 100,000 purchase warrants and spending $500,000 over a period of three years for all metals and minerals (except for kimberlites and diamonds). Once the Company has fulfilled all earn in requirements, Matamec will waive its gross overriding royalty as per the original agreement, and a 50/50 joint venture will be formed between Matamec and the Company. Both the Company and Matamec will have a 50/50 interest on all metal and mineral rights (including diamonds).

Subsequent to year end, the Company paid the cash requirement ($25,000) and issued the 100,000 common shares of the Company and 100,000 purchase warrants (the later exercisable to February 25, 2011 at a price of $0.092 per common share).

Ville Marie

The Ville Marie Project is 100% owned and was acquired by the Company through staking of claims. In late 2008, the Company decided to focus its efforts on the property on certain specific areas and as a consequence reduced the value of the property at December 31, 2008 to $2,000,000 and recorded a write down of $1,298,105.

Other

In 2008, the Company recognized the gold potential of several claims on the Ellard Lake property and decided to group the claims in Thorne Lake property (focus on gold).

In late 2008, the Company decided to focus its efforts on the Ellard Lake property on certain specific diamond promising areas and as a consequence reduced the value of the property at December 31, 2008 to $149,903 and recorded a write down of $2,000,000.

During the third quarter of 2008, management reviewed its portfolio of the properties and decided to discontinue exploration activities on the Mistassini property, which had been included in the other category, and wrote off $1,438,140, representing the total carrying value of the property. Under terms of the Access and Exploration Agreement entered into with Majescor Resources Inc ("Majescor") on May 20, 2008, effective March 2, 2007, the Company retains 100% of the diamond rights on the Mistassini property, subject to a 2% of Gross Overriding Royalty (GOR) to Majescor. Majescor retains 100% of the uranium rights on the property, subject to a 2% royalty to the Company. The Company has no future spending commitment on the property.

On July 7, 2008, the Company sold its 50% interest in the North Thelon Joint Venture to Forum Uranium Corp. ("Forum"), for 2,700,000 of Forum common shares valued at $1,080,000 (being the fair value of Forum shares at July 7, 2008). At June 30, 2008, the Company wrote down the carrying value of the North Thelon property by $602,226 to its fair value of $1,080,000. The sale and purchase agreement with Forum also terminated the Company's right, title and interest in the Tanqueray Option Agreement ("Tanqueray Option") and Agnico-Eagle Participation Agreement.

The Forum shares will be released over a two year period with 25% of the shares available after four months, 25% after 12 months, 25% after 18 months and the final 25% after 24 months. The Company has the right to sell the shares upon notifying Forum of its intention to sell shares that are released from the pool. In addition, Northern Superior is granted a 5% Net Profits Royalty ("NPR") on the 100% owned joint venture claims. The NPR does not apply to Tanqueray option or the Agnico-Eagle participation agreement. As a result of this agreement, Northern Superior is cleared of its obligations for the approved and contingency budgets for the 2008 exploration programs.

The Forum shares are recorded as available-for-sale investment. As at December 31, 2008, the fair value of the Forum shares was $135,000, a decline of $945,000 since July 7, 2008. The Company considers the decline on the fair value of the investment at December 31, 2008 as less than temporary and charged the reduction on the value of investment on the statements of loss and deficit (recorded as part of the accumulated other comprehensive loss in the third quarter of 2008).

6. INCOME TAXES

The provision for income taxes in the statement of loss and deficit represents an effective rate different than statutory computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income taxes due to the following:

Year ended December 31,	**2008**	2007
Loss before income taxes	**$ (7,880,362)**	$ (2,125,577)
Computed income tax recovery at Canadian statutory rates	**2,482,000**	702,000
Benefit of losses not recognized	**(2,482,000)**	(702,000)
Flow through share recovery	**–**	1,609,000
Future income tax recovery	**–**	$ 1,609,000

The tax effect of temporary differences that gives rise to the Company's net future income tax assets is as follows:

As at December 31,	**2008**	2007
Future income tax assets		
Operating loss carried forward	**$ 975,000**	$ 848,000
Capital loss carried forward	**1,200,000**	1,200,000
Resource properties, tax value in excess of carrying value	**576,000**	502,000
Other	**353,000**	306,000
	3,104,000	2,856,000
Less: Valuation allowance	**(3,104,000)**	(1,034,000)
Total future income tax assets	**–**	$ 1,822,000

During the first quarter of 2008, the Company renounced $6,746,740 of flow through expenditures (funds raised in 2007), of which $1,727,086 were spent on Canadian exploration expenditures ("CEE") as at December 31, 2007 and the remainder in 2008 CEE.

At December 31, 2008, the Company had operating loss carry forwards of $3,612,128 available for tax purposes in Canada which expire between 2008 and 2027. The Company also has capital losses totaling $8,885,619.

7. SHARE CAPITAL

a) Authorized: unlimited common shares without par value.

b) Issued Capital

During the years ended December 31, 2008 and 2007 changes in issued share capital were as follows:

	Year ended December 31, 2008		Year ended December 31, 2007	
Issued and outstanding	**Shares**	**Amount**	Shares	Amount
Balance, beginning of year	**63,539,526**	**$ 28,809,643**	46,222,864	$ 21,454,656
Private placement, net of share issue costs of $946,026	**–**	**–**	15,801,700	8,175,356
Exercise of warrants	**–**	**–**	1,269,962	685,081
Issued in exchange for resource properties	**150,000**	**25,500**	225,000	86,000
Exercise of options	**–**	**–**	20,000	13,550
Income tax benefits renounced to shareholders	**–**	**(1,822,000)**	–	(1,605,000)
Balance, end of year	**63,689,526**	**$ 27,013,143**	63,539,526	$ 28,809,643

On May 28, 2007, the Company closed a private placement financing raising aggregate proceeds of $10 million from the sale of 5,422,100 units at $0.60 per unit and 10,379,600 flow through common shares at $0.65 per flow through common share. Each unit consists of one common share plus one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.75 expiring in 24 months. The agents were paid a cash commission and received 1,106,119 broker warrants. Each broker warrant is exercisable for 24 months from closing at a price of $0.60.

c) Stock Options

As at December 31, 2008, the Company had 2,795,000 stock options outstanding of which 1,661,659 are exercisable. Under the Company's stock option plan, the term of all options cannot exceed ten years and the minimum exercise price cannot be less than the closing price of the Company's common shares on the Toronto Stock Exchange (Venture Exchange), on the last trading day preceding the grant of the option. The maximum number of options issuable by the Company is 10% of the issued and outstanding common shares. The Board of Directors determines the vesting terms of the options, with a typical vesting schedule of 1/3 of the options under the grant vesting on each anniversary over a three year period from the grant.

A summary of the changes in the Company's incentive share option plan for the years ended December 31, 2008 and 2007 are as follows:

	Year ended December 31, 2008		Year ended December 31, 2007	
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
Outstanding, beginning of year	**4,985,000**	**$0.55**	3,630,000	$0.62
Granted	**500,000**	**$0.22**	2,837,500	$0.46
Exercised	**–**	**–**	(20,000)	$0.43
Expired	**(1,512,500)**	**$0.72**	–	$0.00
Forfeited	**(1,177,500)**	**$0.57**	(1,462,500)	$0.55
Outstanding, end of year	**2,795,000**	**$0.39**	4,985,000	$0.55
Exercisable, end of year	**1,661,659**	**$0.46**	3,154,994	$0.62

The following table summarizes information regarding stock options outstanding and exercisable at December 31, 2008:

Exercise Price Range	Number of options outstanding	Weighted-average remaining years of contractual life	Weighted-average exercise price	Number of options exercisable	Weighted-average exercise price
$0.000 to $0.190	425,000	4.5	$0.19	0	$0.00
$0.200 to $0.390	995,000	3.8	$0.34	544,993	$0.33
$0.400 to $0.590	935,000	2.9	$0.44	676,666	$0.45
$0.600 to $0.790	440,000	3.2	$0.63	440,000	$0.63
	2,795,000			1,661,659	

d) Stock-Based Compensation

Stock-based compensation recognized is allocated to consulting and management fees (options granted to consultants), general exploration (options granted to individuals involved in exploration work) and office expense (options granted to employees).

As a result of stock options vesting and the amortization of previous stock options grants during years ended December 31, 2008 and 2007, the Company recognized stock-based compensation expense and included this amount in contributed surplus as follows:

	Year ended December 31, 2008	Year ended December 31, 2007
Office expense	$ 96,240	$ 227,388
Consulting and management fees	86,106	267,561
General exploration	55,734	121,941
Total stock-based compensation	$ 238,080	$ 616,890

Stock-based compensation of $238,080 in 2008 (2007 – $616,890) has been included in contributed surplus and was determined using the Black-Scholes option pricing model. A weighted average grant-date fair value of $0.16 (2007 – $0.33) for options granted was estimated using the following assumptions: no dividends are to be paid; volatility of 96.3% to 99.6% (2007 – 91%); risk free interest rate of 3.3% to 3.5% (2007 – 4.3%); and expected life of 5 years (2007 – 5 years).

The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual options and the Company is not required to make payments for such transactions.

e) Contributed Surplus

	Year ended December 31, 2008	Year ended December 31, 2007
Balance, beginning of year	$ 3,216,381	$ 1,526,493
Warrants exercised	–	(94,848)
Stock options exercised	–	(5,000)
Warrants granted	–	1,172,846
Stock-based compensation	238,080	616,890
Balance, end of period/year	$ 3,454,461	$ 3,216,381

f) Warrants

As at December 31, 2008 the following warrants were issued and outstanding:

Date issued	Number	Exercise price	Expiry date
May 28, 2007	1,106,119	$0.60	May 27, 2009
May 28, 2007	5,422,100	$0.75	May 27, 2009
	6,528,219		

The above warrants were valued at $294,228 (for 1,106,119 warrants) and $878,618 (for 5,422,100 warrants) using the Black-Scholes Option Pricing Model on the date of issue and were included in the contributed surplus. A grant-date fair value of $0.27 and $0.23, respectively, for each warrant was estimated using the following assumptions: no dividends are to be paid; volatility of 75%; risk free interest rate of 4.2%; and expected life of 2 years.

Warrants issued in 2006 (388,889 and 435,000, respectively, exercisable at $0.60) expired unexercised in 2008 (March 31 and June 13, respectively). No value was assigned to those warrants at time of issuance.

The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual warrants and the Company is not required to make payments for such transactions.

h) Basic and Diluted Loss per Share

The impact of the outstanding options and warrants has not been included in the calculation of loss per share as the impact would be anti-dilutive. As such, the weighted average number of shares outstanding is the same for both basic and diluted loss per share for all periods presented.

i) Accumulated Other Comprehensive Loss/Income

The Company determined that its investment in Forum, acquired during 2008 (see note 3), which has been classified as available for sale had a decline in value that was less than temporary, and as such, the Company has no AOCI at December 31, 2008 (2007 – Nil).

8. RELATED PARTY TRANSACTIONS

The following are related party transactions for the years ended December 31, 2008 and 2007:

Fees amounting to $5,775 (2007 – $28,349) were paid on account of consulting and management services provided by directors.

Effective June 1, 2008, the Company entered into an administrative service agreement with Lake Shore Gold, a related party by virtue of certain common directors, whereby Lake Shore Gold will provide to the Company certain corporate governance, finance, investor relations and certain accounting and administrative services. Under the agreement, certain officers of Lake Shore Gold are providing management services to the Company. Lake Shore Gold charged $112,000 to Northern Superior for services during 2008. The agreement will be terminated effective April 30, 2009. Accounts payable and accrued charges at December 31, 2008 include $109,937 due to Lake Shore Gold (December 31, 2007 – $11,641).

Accounts receivable at December 31, 2008 include $924,755 (December 31, 2007 – $341,627) due from Lake Shore Gold, representing Lake Shore Gold's share for Ti-pa-haa-kaa-ning property expenditures.

In addition, during the years ended December 31, 2008 and 2007, there were fees of $40,000 (2007 – $41,000) paid to Southwestern Resources Corp. ("Southwestern"), a company related by way of an administrative services agreement, terminated on May 1, 2008; as such effective May 1, 2008, Southwestern is no longer considered a related party. Accounts payable and accrued charges at December 31, 2008 include $Nil (December 31, 2007 – $14,840) due to Southwestern.

All related party transactions are measured at the exchange amount agreed to between the parties.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Financial Instruments

The Company had no held-to-maturity instruments and no allowance for credit losses as at December 31, 2008 and 2007;

As at December 31	**2008**	2007
Financial Assets		
Held-for-trading, measured at fair value		
Cash and cash equivalents	**$ 1,582,444**	$ 6,800,777
Loans and receivable, measured at amortised cost		
Exploration and other receivables	**$ 1,859,735**	$ 2,579,598
Available-for-sale, measured at fair value		
Investment	**$ 135,000**	–
Financial Liabilities		
Other liabilities, measured at amortised cost		
Accounts payable and accrued charges	**$ 431,193**	$ 215,584

b) Fair Values

The fair values of cash and cash equivalents, other receivables and accounts payable and accrued charges approximate their carrying values due to the short-term to maturity of these financial instruments. The fair value of the investment is based on quoted market price as at December 31, 2008.

c) Management of Financial Risks

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

i. Credit Risk

The Company's credit risk is primarily attributable to other receivables, which includes $782,352 in refundable tax credits from Québec Government and $924,755 for a cost recovery from the Ti-pa-haa-kaa-ning joint venture project between the Company and Lake Shore Gold. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in other receivable is remote. The Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

ii. Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company has cash and cash equivalents, prepaids and other receivables of $3,378,693 (December 31, 2007 – $8,900,274) to settle current liabilities of $431,193 (December 31, 2007 – $215,584). All of the Company's financial liabilities have contractual maturities of 30 days and are subject to normal trade terms (see note 11).

iii. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash balances. A 1% change in short-term rates would change the interest income and net loss of the Company, assuming that all other variables remain constant, by approximately $15,000 over of 2009.

10. SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended December 31,		**2008**		2007
Non-cash investing and financing activities				
Common shares issued pursuant to property agreements	**$**	**25,500**	$	31,200
Changes in working capital related to resource properties	**$**	**652,924**	$	(2,463,836)
Write down/write off of resource properties	**$**	**(5,338,471)**	$	(789,146)
Sale of North Thelon property	**$**	**(1,080,000)**	$	–
Write off of Québec government refundable tax credits	**$**	**75,000**	$	–
Depreciation capitalized	**$**	**12,119**	$	4,803
Renunciation of flow-through shares	**$**	**1,822,000**	$	1,605,000
Interest received	**$**	**118,453**	$	276,618
Income taxes paid	**$**	**–**	$	–

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it to effectively support the acquisition, exploration and development of mineral properties. In the definition of capital, the Company includes, as disclosed on its balance sheet: share capital, deficit, contributed surplus and cash and cash equivalents.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

12. COMMITMENTS AND CONTINGENCIES

In addition to contingencies under the agreement with Matamec signed on January 15, 2009 (note 5), the Company's existing contractual obligations are as follows:

		2009		2010		2011		2012 and thereafter		Total
Accounts payable and accrued liabilities	$	431,193	$	–	$	–	$	–	$	431,193
Office rent and other		49,389		45,060		12,000		–		106,449
	$	480,582	$	45,060	$	12,000	$	–	$	537,642

13. SUBSEQUENT EVENTS

Subsequent to year end, the Company paid the $25,000 cash requirement under the option agreement with Matamec and issued the 100,000 common shares of the Company and 100,000 purchase warrants. (refer to note 5, Wachabigau property).

CORPORATE DIRECTORY

DIRECTORS

Alan Moon, Chairman (2) (3*)
Brian Booth (1) (4*)
Roland Horst (3) (4)
Arnold Klassen (1) (2*)
Wayne Livingstone (1*) (2) (3) (4)
Thomas F. Morris

1 Environment, Health and Safety Committee
2 Audit Committee
3 Corporate Governance and Nominating Committee
4 Compensation Committee
* Committee Chair

OFFICERS

Thomas F. Morris, President and Chief Executive Officer
Donald Boucher, Vice President
Merushe (Meri) Verli, Corporate Financial Officer
Alasdair Federico, Corporate Secretary

Designed and Produced by SUTTON INTEGRATED SOLUTIONS Printed in Canada

OFFICE

Northern Superior Resources Inc.
1988 Kingsway, Unit G
Sudbury, Ontario, Canada
P3B 4J8
Tel: 705 525 0992   Fax: 705 525 7701

CORPORATE RELATIONS

Thomas F. Morris
Tel: 705 525 0992
Email: tmorris@nsuperior.com
www.nsuperior.com

AUDITORS

Deloitte & Touche LLP
Brookfield Place
181 Bay Street, Suite 1400
Toronto, Ontario, Canada
M5J 2V1

TRANSFER AGENT

Computer Share Investor Services Inc.
Toll-free within North America 1 (800) 564 6253   International (514) 982 7555
Email: service@computershare.com
Manage your shares online at Computershare's Investor Centre at: www-us.computershare.com/investor

NOTICE OF ANNUAL MEETING

The annual meeting of shareholders will on **Thursday, May 7th, 2009 at 4:15 pm** at:

The Toronto Hilton
The Richmond Room
145 Richmond Street West
Toronto, Ontario, Canada
M5H 2L2
Tel: 416 945 6654   Fax: 416 869 1463

NORTHERN
SUPERIOR
RESOURCES

NORTHERN SUPERIOR RESOURCES INC.

CORPORATE OFFICE
10 KING STREET EAST, SUITE 1500,
TORONTO, ONTARIO CANADA M5C 1C3
TEL 416 703 4830 FAX 416 703 5391

EXPLORATION OFFICE
1988 KINGSWAY, UNIT G,
SUDBURY, ONTARIO, CANADA P3B 4J8
TEL 705 525 0992 FAX 705 525 7701

www.nsuperior.com