



**Northern Superior Resources Inc.  
Management's Discussion and Analysis  
For the year ended December 31, 2017  
(the "Period")**

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## Northern Superior Resources Inc. Management's Discussion and Analysis For the year ended December 31, 2017

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### GENERAL

This Management's Discussion and Analysis ("MD&A" or "Report") of the financial condition of Northern Superior Resources Inc. ("Northern Superior" or the "Company") and results of operations of the Company for the year ended December 31, 2017 has been prepared by management in accordance with the requirements under National Instrument 51-102 as at April 9, 2018 (the "Report Date"). The Report should be read in conjunction with the Company's audited financial statements for the years ended December 31, 2017 and 2016 and the notes thereto, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and within which the Company's accounting policies are described in Note 3 (collectively, the "Financial Statements"). All dollar amounts in the Report are in Canadian dollars unless otherwise noted.

The Financial Statements, together with the MD&A, are intended to provide investors with a reasonable basis for assessing the performance and potential future performance of the Company, and are not necessarily indicative of the results that may be expected in future periods. The information in the MD&A may contain forward-looking statements, and the Company cautions investors that any forward looking statements by the Company are not guarantees of future performance, as they are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events. Please refer to the risks and cautionary notices of this MD&A. Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

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

As at December 31, 2017, the Company has cash and cash equivalents of \$3,083,897, and working capital of \$2,445,551. In May 2016, the trial between Northern Superior and the Government of Ontario (the "Ontario litigation") was completed with the judge ruling against the Company ("the trial decision"), pursuant to which, on August 26, 2016, the Ontario Superior Court of Justice ordered Northern Superior to pay an aggregate of \$440,570 in costs to the Province of Ontario. On March 1, 2018, the Company concluded its lawsuit with the Province of Ontario, avoiding any further court proceedings. The Company and the Province of Ontario settled on a reduced costs amount, which amount cannot be disclosed due to confidentiality restrictions as dictated in the final settlement.

While the Company has enough funds to allow it to continue its planned activities in the normal course, the Company is 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. If the Company is unable to raise additional capital in the future and/or attracting joint venture partners for further exploration on its properties, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern beyond 2018.

This MD&A contains forward-looking statements. Statements throughout the Report with respect to the cost or timeline of planned or expected exploration are all forward-looking statements. As well, statements about growth, financial position, capital adequacy and/or the need for future financing are also forward-looking

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statements. All forward-looking statements, including forward-looking statements not specifically identified in this paragraph, are made subject to the cautionary language at the end of this document, and readers are directed to refer to that cautionary language when reading any forward-looking statements. Please refer to the cautionary language at the end of this document.

**PRESIDENT'S MESSAGE**

Northern Superior completed exceptional exploration programs through 2017 on its two flagship properties. At Croteau Est, we continued to: 1) build an understanding of gold-emplacment within the Croteau Bouchard Shear Zone (CBSZ); 2) established continuity of geologic structure and associated mineralization (an extremely important step in demonstrating the potential to mine a resource); 3) reported impressive gold-bearing intersections; and 4) determined that the inferred resource associated with this portion of the CBSZ was open along strike west and down-plunge to the east, and open at depth.

At Ti-pa-haa-kaa-ning (TPK), the head of the Keely Lake gold grain-in-till dispersal corridor was clearly defined from additional till sampling and prospecting programs. Boulders recovered from within this dispersal corridor continued to return exceptional gold, silver and copper assays: the distribution and concentration of which clearly define specific mineral targets for gold, silver and copper.

Similar sampling and prospecting programs completed within the Big Dam area of the TPK property also returned impressive gold and silver assays from recovered boulders. Mineral targets were set through the re-evaluation of all geoscientific data generated from all exploration programs completed within the Big Dam area: 1) till gold grain and geochemical assay data derived from surface sampling programs and reverse circulation drill programs; 2) boulder assay and lithological studies; 3) various geophysical programs; 4) structural studies; and 5) bedrock lithological mapping.

The heavy lifting on both these properties is now complete. Targeting is now established, agreements with First Nation and required permits are in place. Both programs are now at a stage where sustained core drill programs are required. Northern Superior is actively pursuing various avenues to obtain the financial resources to support such programs.

*Thomas F. Morris PhD., FGAC, ICD.D, P.Geo.*  
*President and CEO*

**KEY EVENTS, 2017**

**Corporate**

- Completion of board re-structuring, initiated Fall of 2016.
- Completion of two financings:
  - 1) Sprott financing of \$2 million; and
  - 2) Concurrent financing of \$2.5 million.
- Hiring of a vice president exploration.
- Sustained marketing programs.
- Conclusion of lawsuit with the Ontario Government.

## **Ti-pa-haa-kaa-ning (100% owned by the Company)**

### ***Big Dam Area***

- Initiated planning for the Company's proposed two phase exploration program, beginning Q3 (see Northern Superior Management Discussion and Analysis, Q4 2016).
- Initiated engagement protocols with Neskantaga First Nation as per the Early Exploration Benefits Agreement (EEBA) between the First Nation and the Company.
- Re-logging of eight historic drill cores, that:
  - ✓ Identified mineralized shear zones, previously not logged;
  - ✓ Identified visible gold, previously not logged;
  - ✓ Determined the correct orientation of these mineralized shear zones;
  - ✓ Determined that the shear zones are steeply dipping north to near vertical; and
  - ✓ Determined sections of drill core originally logged as fractured material, are in fact, shear zones.
- Completion of a prospecting and boulder sampling program (see Northern Superior press release, October 18, 2017):
  - ✓ Collected 255 boulders, bringing the total number of boulders recovered within this area to 842, 543 of which contained anomalous (>50 ppb) gold values;
  - ✓ Boulder assay values that range up to 94.2 g/t gold;
  - ✓ Boulder assay values that range up to 190 g/t silver; and
  - ✓ Highly prospective gold and silver target areas identified.
- Re-evaluation of all geoscientific data to identify five key target areas for core drilling specific gold and silver mineral targets.

### ***TPK, Annex Area***

- Completion of a prospecting and boulder sampling program (see Northern Superior press release, October 11, 2017):
  - ✓ Collected 186 boulders, bringing the total number of boulders collected within this area to 287, 103 of which contained anomalous (>50 ppb) gold values;
  - ✓ Boulder assay values that range up to 727 g/t gold;
  - ✓ Boulder assay values that range up to 53.7 g/t silver;
  - ✓ Boulder assay values that range up to 3.42% copper; and
  - ✓ Numerous gold, silver and copper targets identified.
- Completed a till sampling program, 289 till samples collected.
- Preliminary targeting from distribution of mineralized boulders for gold, silver and copper.

### ***TPK, Rowlandson Lake Camp***

- Completed camp repairs and upgrades.

## **Croteau Est (100% owned by Company)**

- Initiated and completed a Phase 1, 16 hole, 4,373m core drill program (completed under the planned \$1 million budget), east and south of the defined inferred resource, the purpose of which was to:
  - ✓ Demonstrate expansion of gold mineralization east of the Croteau Fault; and

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- ✓ Provide a better understanding of gold mineralization associated with the defined inferred resource embedded within this portion of the CBSZ (see Northern Superior press release, January 14, 2016).
  - Key highlights from this Phase I core drill program include (see Northern Superior press release, May 9, 2017):
    - ✓ Intersected the gold-bearing alteration package of the CBSZ inferred resource east of the Croteau Fault;
    - ✓ Furthered the understanding of structural controls and emplacement mechanisms for higher grade gold mineralization associated with the CBSZ related inferred resource;
    - ✓ Additional discovery of:
      - 1) a gold-bearing shear east of the Croteau Fault and CBSZ, 340m of east-west structure defined, open along strike to the east; and
      - 2) a second gold-bearing structure associated with the cross-cutting Croteau South Shear Zone and Croteau Fault, 1km south of the defined inferred resource.
    - ✓ These two discoveries support the hypothesis, that wherever this cross-cutting relationship exists (between east-west deformation zones and northeast-southwest faults) on the property there is an opportunity for gold mineralization (see Northern Superior press release, May 9, 2017); and
    - ✓ Underspent the original \$1,000,000 for the Phase 1 drill program by \$300,000, leaving \$1,300,000 to spend on the Phase 2 core drill program.
  - Subsequent to initiating Phase II and III drill programs, a focused effort was initiated to understand the relationship of the high grade shoots embedded within the CBSZ inferred resource to gold mineralization (see Northern Superior press release, July 5, 2017). Management viewed this as likely the best way to increase the inferred resource. This was accomplished by:
    - ✓ Completing a thorough internal review of results from the Phase I core drill program (see Northern Superior press release May 9, 2017);
    - ✓ Initiating an independent review of geophysical data;
    - ✓ Initiating an independent review of the structural and geochemical data associated with the CBSZ;
    - ✓ Completing gold grade times thickness calculations for key core drill intersections within the CBSZ; and
    - ✓ Completing a televiewer survey on eleven selected historic core holes (previously completed by Northern Superior) and the seven holes from the Phase II drill program.
- The culmination of this work:
- ✓ Confirmed that high grade shoots identified within the CBSZ dip at a shallow angle to the southeast;
  - ✓ Determined accurate quartz vein orientation, mineralized quartz-feldspar porphyry and intermediate plagioclase porphyry dykes, all of which frequently host high grade intercepts within high grade shoots contained within the CBSZ; and
  - ✓ Provided optimum targeting of the high grade ore shoots.
- Highlights of the Phase II drill program, which was designed to test and ensure the accuracy of the modeled data before committing to a larger, Phase III program (see Northern Superior Press release, November 13, 2017):
  - ✓ Included drilling seven infill holes of 2,823.5m, each hole 300-500m long, oriented south at an inclination of -75°;
  - ✓ Intersected high grade intervals of up to **72.90 g/t gold over 0.70m**;
  - ✓ Intersected high grade widths of up to **11.06 g/t gold over 9.10m (including 43.75 g/t gold over 2.00m)**;

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- ✓ Intersected mineralized widths of up to **1.99 g/t gold over 34.65m** (including **9.46 g/t gold over 2.35m**);
  - ✓ Intersected several, previously unrecognized mineralized zones;
  - ✓ Defined longitudinal and lateral continuity of mineralization from the current holes to Northern Superior's previously completed holes;
  - ✓ Identified a second and important source of mineralization associated with "flat-lying" quartz veins, untested by previous drill programs due to the orientation of the drill – potentially adding significant ounces to the current Inferred Resource and;
  - ✓ Defined additional high grade mineralization occurring >400m vertical depth within the CBSZ: **7.50 g/t gold over 7.95m** (including **56.40 g/t gold over 1.00m between 489.90m to 497.85m**).
- Results from the Phase II drill program provided the required confidence to initiate the larger Phase III drill program. Highlights from the Phase III program (see Northern Superior Press Release, January 10, 2018):
    - ✓ Included drilling 16 additional holes of 6,282m, each hole 300-500 m long, oriented south at an inclination of -76°;
    - ✓ Combined with data from previous drill programs, defined the mineralized body as having:
      - a) Minimum strike length of 600m;
      - b) Open to the west along strike;
      - c) Open along strike down-plunge to the east; and
      - d) Open at depth (>350m).
    - ✓ Intersected high grade intervals of up to **705 g/t gold over 0.5m**;
    - ✓ Intersected high grade widths of up to **61.24 g/t gold over 5.95m** (including **705 g/t gold over 0.5m**);
    - ✓ Intersected mineralized widths of up to 1.19 g/t gold over 47.0m; and
    - ✓ Defined additional high grade mineralization occurring >400m vertical depth within the CBSZ: **3.14 g/t gold over 4.0m (447-451m)** (including **7.53 g/t gold over 1.0m between 449m to 450m**).

**Wapistan (100% owned by the Company)**

- Completed a 934 line-km, helicopter-borne geophysical survey over the Wapistan property.

**Lac Surprise (100% owned by the Company)**

- Initiated and completed a 5 hole, 1,185m core drill program, east of the Black Phoenix showing on the northeast part of the property, from which:
  - ✓ At least one of the anomalous trends previously defined by a 10 line km Induced Polarization and Magnetic survey (see joint Northern Superior/ Bold Ventures press release, October 20, 2016) is gold bearing; and
  - ✓ Confirmation of the existence of a hydrothermal gold bearing system for the Black Phoenix area.
- Re-acquired 100% interest in the Lac Surprise property at the end of Q1 due to the Company's option partner's inability to complete its earn-in.

**OUTLOOK AND STRATEGY, 2018**

**Corporate**

Both the TPK and Croteau Est properties are now at a stage where sustained drilling programs are required to move both properties forward in a meaningful way. As such, the Company will continue its efforts to

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identify and evaluate all options that will assist in supporting sustained drilling programs on these two properties for this year.

In addition, the Company will continue to seek out partnerships for its other exploration efforts at Lac Surprise, Wapistan, Rapson Bay and Meston Lake.

**TPK**

Completing additional core target evaluation for the Big Dam area of the property is a priority for Northern Superior. Budgets for three different core drill scenarios (5,000, 13,000 and 20,000m) are set. The Company is pursuing various options to financially support a core drill program. The intention of Northern Superior is to initiate a core drill program during H1 of 2018.

**Croteau Est**

Working with an external, independent consultant, Northern Superior is currently developing an accurate and robust geological model associated with the CBSZ resource. From this exercise, the Company will have a clear understanding of the amount of additional core drilling required, and the cost involved, to grow the CBSZ resource. The intention of Northern Superior is to initiate such a core drill program during H2 of 2018.

**Lac Surprise**

Compiling and integrating all the excellent geological information obtained through the various exploration efforts of Northern Superior's former option partner on the Property into the Company's data base. From this, production of an updated 43-101 style exploration report will be completed by the end of Q2, 2018. Within this report, priority core drill targets will be defined along with budgets reflecting various core drill program options.

**Wapistan**

Integrating the airborne geophysical program completed during Q1 of 2017 into the Wapistan data base. An evaluation of the geophysical data will be made to determine: 1) the type of geophysical signature associated with each known mineral occurrence; 2) if the relative size of each mineral occurrence can be established; and 3) if additional mineralization can be identified. This exercise will lay the groundwork for planning an overburden sampling and prospecting program. An internal 43-101 style exploration report that will include the findings from this effort will be completed by the end of H1, 2018.

**Geoscientific Data Base**

Much high quality geoscientific information has been generated by Northern Superior's exploration efforts through 2017 and into 2018. All this information, as well as any relevant publicly available geoscientific data, will be integrated into the Company's geoscientific data base. The continued development and management of this large (now almost a terabyte in size) data base through 2018 and beyond is essential to Northern Superior, allowing the Company to continue its traditional role as a "project generator."

**ONTARIO LITIGATION**

The trial associated with Northern Superior's lawsuit against the Ontario Government was completed in November 2015. This civil lawsuit was filed by Northern Superior in October of 2013 seeking, amongst other things, damages of \$110 million consisting mainly of amounts expended to date as well as for the lost value of its properties, as a result of lost access to its Meston Lake, Rapson Bay and Thorne Lake exploration properties (the "Properties"). Unfortunately, the judge ruled in favour of Ontario in May of 2016, and further put forth a decision relating to the payment by the Company of the Province trial expenses of



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\$440,570 (fully provided for at December 31, 2017). The Company filed an appeal citing 65 errors in the trial judge's decision and an additional appeal on the payment to be made by the Company. On March 1, 2018, the Company concluded its lawsuit with the Province of Ontario, avoiding any further court proceedings. The parties settled on a reduced costs amount, which amount cannot be disclosed due to confidentiality restrictions as dictated in the final settlement.

**RESULTS OF OPERATIONS**

Exploration and evaluation property expenditures

During the Period, the Company incurred the following exploration and evaluation property expenditures:

	Ti-pa-haa- kaa-ning (\$)	Croteau Est (\$)	Lac Surprise (\$)	Wapistan (\$)	Total (\$)
Acquisition, assessment and maintenance	37,657	35,131	35,047	31,249	139,084
Analytical	68,883	209,624	-	-	278,507
Geophysics	-	123,325	-	-	123,325
Geology	613,776	229,046	2,433	70,264	915,519
Drilling	-	1,446,274	-	-	1,446,274
Research	38,476	-	-	-	38,476
Project administration	3,178	3,936	891	219	8,224
<b>Total expenditures</b>	<b>761,970</b>	<b>2,047,336</b>	<b>38,371</b>	<b>101,732</b>	<b>2,949,409</b>
Recoveries	-	-	(2,970)	-	(2,970)
Refundable tax credits and adjustments	-	47,178	643	472	48,293
<b>Net</b>	<b>761,970</b>	<b>2,094,514</b>	<b>36,044</b>	<b>102,204</b>	<b>2,994,732</b>

General and administrative costs

	Three months ended December 31,				Years ended December 31,			
	2017 (\$)	2016 (\$)	Increase (decrease) (\$) (%)		2017 (\$)	2016 (\$)	Increase (decrease) (\$) (%)	
<b>General operating expenditures</b>								
Consulting fees	274,915	27,921	246,994	885	901,775	83,906	817,869	975
Legal and accounting	25,666	75,814	(50,148)	(66)	125,219	143,081	(17,862)	(12)
Office expenses	134,682	124,457	10,225	8	571,896	482,624	89,272	18
Shareholder information	127,254	65,860	61,393	93	415,235	210,024	205,211	98
Travel	6,745	10,312	(3,567)	(35)	20,825	18,162	2,663	15
Foreign exchange	(217)	-	(217)		563	-	563	
Taxes	7,343	-	7,343		-	-	-	
	576,388	304,364	272,024	885	2,035,513	937,797	1,097,716	1,093
<b>Other items</b>								
Depreciation	0	1,391	(1,391)	(100)	4,172	6,351	(2,179)	(34)
Interest (expense) income	9,799	(288)	10,087	(3,502)	6,575	(9,382)	15,957	(170)
Ontario litigation costs	-	52,650	(52,650)	(100)	-	535,657	(535,657)	(100)
Flow-through share premium recovery	400,000	-	400,000		(400,000)	-	(400,000)	
	409,800	53,753	356,047	662	(389,252)	532,627	(921,879)	(173)
<b>Loss for the period</b>	<b>986,186</b>	<b>358,117</b>	<b>628,069</b>	<b>175</b>	<b>1,646,260</b>	<b>1,470,424</b>	<b>175,836</b>	<b>12</b>

The loss for the Period and for the three months ended December 31, 2017 is higher than that for the comparative prior year periods as a result of the immediate vesting of the grant of incentive stock options allowing for the purchase of up to 9,600,000 shares at \$0.065 until April 23, 2022, which options were valued at \$608,488 in April 2017, and for the purchase of up to 5,050,000 shares at \$0.05 until November 30, 2022, which options were valued at \$179,932 in November 2017. Share-based compensation is a non-cash item resulting from the application of the Black-Scholes Option Pricing Model using assumptions in respect of expected dividend yield average risk-free interest rates, expected life of the options and expected

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volatility. During the Period, the Company entered into various agreements with service providers, received a refund in respect of Revenu Québec taxes, and completed 3 financings during Q4 2016 and Q1 2017, pursuant to which it incurred attendant increased general operating, legal and shareholder information expenses.

**SUMMARY OF QUARTERLY RESULTS**

The following selected financial data should be read in conjunction with the Company's Financial Statements:

Quarter ended	2017				2016			
	Dec 31 (\$)	Sept 30 (\$)	June 30 (\$)	March 31 (\$)	Dec 31 (\$)	Sept 30 (\$)	June 30 (\$)	March 31 (\$)
Interest (expense) income	(9,799)	189	2,259	776	288	819	5,300	2,975
Net (Loss)	(186,185)	(295,792)	(930,837)	(233,446)	(358,118)	(223,958)	(655,353)	(232,996)
Net (loss) per share (basic and diluted)	(0.00)	-	(0.00)	(0.00)	-	-	-	-
Total assets	10,011,917	10,214,398	10,424,407	10,946,079	6,504,565	4,829,895	5,053,626	5,254,266

**ANNUAL FINANCIAL INFORMATION**

Years ended December 31,	2017 (\$)	2016 (\$)	2015 (\$)
Interest (expense) income	(6,575)	9,382	26,065
Net (Loss)	(1,646,260)	(1,470,424)	(4,344,142)
Net (loss) per share (basic and diluted)	(0.01)	(0.01)	(0.02)
Total assets	10,011,917	6,504,565	5,448,004

**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, and its investment policy is to keep its cash on deposit in an interest-bearing Canadian chartered bank account. Should the Company wish to continue fieldwork on its exploration projects, further financing will be required and the Company will either have to go to the market or engage a strategic partner to achieve this. Given the volatility in equity markets, global uncertainty in economic conditions, unfavorable market condition in the mining industry, cost pressures and results of exploration activities, management constantly reviews expenditures and exploration programs and equity markets in order that the Company have sufficient liquidity to support its growth strategy.

On November 15, 2016, the Company closed a private placement for gross proceeds of \$2,000,000 and on March 2 and March 6, 2017, completed concurrent financings for total gross proceeds of \$4,500,000. At December 31, 2017 the Company had cash and cash equivalents of \$3,083,897 and working capital of \$2,445,624 to settle trade payables and accrued liabilities totaling \$843,151. In addition, at December 31, 2017 the Company has recorded a provision in respect of the Ontario litigation in the amount of \$440,570 for the payments to the Province of Ontario as ordered by the judge in August 26, 2016; the Company appealed the trial decision and costs award. On March 1, 2018, the Company concluded its lawsuit with the Province of Ontario, avoiding any further court proceedings. The parties settled on a reduced amount

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to be paid by the Company, which amount cannot be disclosed due to confidentiality restrictions as dictated in the final settlement.

The Company's cash position is highly dependent on the ability to raise cash through financings and the expenditures on its exploration programs. Capital expenditures are not expected to have any material impact on liquidity. Management believes that even with the financings completed in the Period, the Company will need external financings in order to fund further exploration. As results of exploration programs are determined and other opportunities become available to the Company, management may complete an external financing as required.

The outlook is based on the Company's current financial position and is subject to change if opportunities become available based on current exploration program results and/or external opportunities. At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities and from optioning its resource properties. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term but recognizes that there will be risks involved which may be beyond its control.

**OUTSTANDING SHARE CAPITAL INFORMATION AT THE REPORT DATE**

<b>Common shares - issued and outstanding</b>				<b>319,078,626</b>
	<b>Exercise price</b>	<b>Expiry Date</b>	<b>Shares issuable</b>	
	<b>(\$)</b>		<b>(#)</b>	
<b>Warrants</b>	0.075	November 14, 2018	20,000,000	(1)
	0.075	March 2, 2019	58,200,000	
	0.075	March 6, 2019	19,810,000	
			<b>98,010,000</b>	
<b>Stock options</b>	0.100	December 3, 2018	1,000,000	
	0.050	November 10, 2019	1,300,000	
	0.050	November 5, 2020	950,000	
	0.100	August 1, 2021	500,000	
	0.050	November 21, 2021	1,050,000	
	0.065	April 23, 2022	9,600,000	
	0.050	November 30, 2022	5,050,000	
			<b>19,450,000</b>	
			<b>436,538,626</b>	

(1) the warrants are subject to accelerated expiry provisions, wherein if the closing price of the Company's shares on the TSX Venture Exchange exceeds \$0.15 for a period of 10 consecutive trading days, the Company may provide notice to warrant holders accelerating the expiry of their warrants to 30 days from the date such notice is given.

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**RELATED PARTY TRANSACTIONS**

The Company has arrangements pursuant to which parties related to the Company by way of directorship or officership provide certain services, either directly or through companies owned or controlled by the officers and directors. Transactions were in the normal course of operations and all of the costs recorded are based on fair value.

<i>For the years ended December 31,</i>	<b>2017</b>	2016
	<b>(\$)</b>	(\$)
CEO and President	<b>225,000</b>	225,000
Company controlled by CFO	<b>45,000</b>	7,500
Former CFO	-	17,500
Corporate Secretary	<b>36,000</b>	39,000
VP-Exploration	<b>61,200</b>	-
	<b>367,200</b>	289,000

*Directors' Compensation*

In April 2017, the Company revised the way in which it compensates independent directors. Effective January 1, 2017, each director is paid a fee of \$20,000 per annum. In addition, the Chairman of the Board and the Chairman of the Audit Committee will each receive an additional sum of \$5,000; all fees will be paid quarterly, in arrears. Subject to exchange approval (received on June 23, 2017), one-half of the independent directors' fees will be paid in common shares of the Company, with the number of shares issuable to be determined based on the closing price of the Company's shares on the date such fees are payable, but in any event, no less than \$0.05 per share.

<i>For the years ended December 31,</i>	<b>2017</b>	2016
	<b>(\$)</b>	(\$)
Directors' fees	<b>124,066</b> <sup>(1)</sup>	45,500

<sup>(1)</sup> Includes a total of 590,660 shares (valued in total at \$29,533) issued to Directors in respect of January 1 to June 30, 2017, and shares valued in total at \$32,500 in respect of the period July 1 to December 31, 2017.

**ACCOUNTING POLICIES, STANDARDS AND JUDGEMENTS**

*Changes in accounting policies*

The Company has adopted the following new standard, along with any consequential amendments, prior to or effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions, and the adoption of these standards did not have a material impact on the Company's financial statements.

- IAS 7, "Statement of Cash Flows": is effective for annual periods beginning on or after January 1, 2017,
- IAS 12, "Income Taxes" (amended standard): is effective for annual periods beginning on or after January 1, 2017.

*Accounting standards issued but not yet in effect*

- IFRS 2, "Share-based payment" (amended standard) is effective for annual periods beginning on or after January 1, 2018.
- IFRS 9, "Financial Instruments: Classification and Measurement": is effective for annual periods beginning on or after January 1, 2018.

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- IFRS 15, "Revenue from Contracts and Customers": the effective date of adoption has been deferred to January 1, 2018 (with earlier application permitted).
- IFRIC 22, "Foreign Currency Transactions and Advance Consideration": is effective for annual period beginning on or after January 1, 2018.
- IFRS 16, "Leases": is effective for annual periods beginning on or after January 1, 2019.
- IFRIC 23, "Uncertainty over Income Tax Treatments": the effective for annual periods beginning on or after January 1, 2019.

The Company has evaluated the impact of these new and amended standards on its financial statements. The adoption of these new and amended standards is not expected to have a material impact on the statements of financial position or results of operations.

*Use of Estimates and Judgments*

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

*Impairment of assets*

The carrying amounts of evaluation and exploration properties and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level ("CGU").

The assessment requires the use of estimates and assumptions such as, but not limited to, long-term commodity prices, foreign exchange rates, discount rates, future capital requirements, resource estimates, exploration potential and operating performance as well as the CGU definition. It is possible that the actual fair value could be significantly different from those assumptions, and changes in these assumptions will affect the recoverable amount of the mining interests. In the absence of any mitigating valuation factors, adverse changes in valuation assumptions or declines in the fair values of the Company's CGUs or other assets may, over time, result in impairment charges causing the Company to record material losses.

The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of the assets. Internal sources of information the Company considers include the manner in which exploration and evaluation properties and equipment are being used or are expected to be used and indications of economic performance of the assets.

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*Environmental rehabilitation*

Significant estimates and assumptions are made in determining the environmental rehabilitation costs as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures in the future being different from the amounts currently provided, if any.

*Deferred income taxes*

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its subsidiaries operate could limit the ability of the Company to obtain tax deductions in future periods.

*Share based payments*

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in its Financial Statements. The fair value of stock options is measured using the Black-Scholes option valuation model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet financing arrangements.

**SUBSEQUENT EVENTS**

On March 1, 2018, the Company concluded its lawsuit with the Province of Ontario, avoiding any further court proceedings. The parties settled on a reduced costs amount, which amount cannot be disclosed due to confidentiality restrictions as dictated in the final settlement.

Subsequent to December 31, 2017, incentive stock options allowing for the acquisition of up to, in the aggregate, 1,525,000 shares in the capital of the Company were forfeited.

**RISKS AND UNCERTAINTIES**

General

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, may be insufficient in quantity and quality to return a profit from production at a given time. The Company evaluates its property interests on an ongoing basis and intends to abandon properties that fail to remain prospective. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis for further development of a property. At the time of writing this Report the Company expects to incur further property acquisition, and development and exploration expenses. The Company has a history of incurring losses and deficits

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and is subject to a number of risks and uncertainties due to the nature of its business and present stage of explorations, such as, but not limited to, the risks discussed below and contained elsewhere in this Report. In addition to the other information presented in this Report, the reader is directed to the risks discussed in the Financial Statements. The Company, and thus the securities of the Company, should be considered a highly speculative investment, and investors should carefully consider all of the information disclosed in this MD&A prior to making an investment in the Company as well as during their time as investors.

*Lack of Revenue and Limited Financial Resources*

The Company has no significant source of operating cash flow and no revenues from operations. The Company has limited financial resources, and its ability to continue operating as a going concern is dependent upon management's success in raising additional monies to sustain the Company until cash flow from operations is adequate to sustain the Company's viability. Substantial expenditures are required to be made by the Company and/or its development partners to establish ore reserves and develop a mining operation. Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. At present, the Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing exploration budgets. While the Company has been successful in obtaining financing from the capital markets for its projects in recent years, there can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company's ability to finance could have a materially adverse outcome on the Company and its securities.

*Title and Rights*

The Company has investigated title to all of its exploration properties and, to the best of its knowledge, title to all of its properties, and properties that it has the right to acquire or earn an interest in are in good standing; however, the Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. These defects could adversely affect the Company's title to such properties or delay or increase the cost of the development of such properties.

The Company's properties may also be subject to Aboriginal/First Nations or other historical rights that may be claimed on Crown properties or other types of tenure with respect to which mineral rights have been conferred. Except for the lawsuit relating to the Company's Meston Lake, Rapson Bay and Thorne Lake properties, as described in this Report, the Company is not aware of any Aboriginal land claims having been asserted or any legal actions relating to issues having been instituted with respect to any of the exploration & evaluation assets in which the Company has an interest. The Company is in ongoing communication with the Aboriginal/First Nations communities associated with its properties, and is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity, and is supportive of measures established to achieve such co-operation.

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Market

The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer-term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

Metal and Commodities Prices

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Factors beyond the control of the Company may affect the marketability of any minerals discovered. No assurance may be given that metal prices will remain stable. Significant price fluctuations over short periods of time may be generated by numerous factors beyond the control of the Company, including domestic and international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The effect of these factors on the price of minerals and therefore the economic viability of any of the Company's exploration projects cannot accurately be predicted. As the Company's properties are in the exploration stage, the above factors have had no material impact on present operations or income.

Exploration and Development

All of the Company's properties are in the exploration stage and no known reserves have been discovered on such properties. There is no certainty that the expenditures to be made by the Company or its option partners in the exploration of its properties described herein will result in discoveries of metals in commercial quantities or that any of the Company's properties will be developed. Most exploration projects do not result in the discovery of economic deposits of metals and no assurance can be given that any particular level of recovery of metals will in fact be realized or that any identified resource will ever qualify as a commercially mineable (or viable) resource which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of metals ultimately discovered may differ from that indicated by drilling results. There can be no assurance that metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

Political and Economic Instability

The Company's activities in Canada are subject to risks common to operations in the mining industry in general. Mineral exploration and mining activities and production activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to community rights, restrictions on production, price controls, export controls, restriction of earnings, taxation



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laws, expropriation of property, environmental legislation, water use, labour standards and workplace safety.

*Environmental*

Environmental legislation on a global basis is evolving in a manner that will ensure stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessment of proposed development and a higher level of responsibility for companies and their officers, directors and employees. There is no assurance that future changes to environmental legislation in Canada will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown at present and which have been caused by previous owners or operators. Furthermore, future compliance with environmental reclamation, closure and other requirements may involve significant costs and other liabilities. In particular, the Company's operations and exploration activities are subject to Canadian federal and provincial laws and regulations governing protection of the environment. Such laws are continually changing and, in general, are becoming more restrictive.

*Competition in the Mineral Exploration Industry*

The resource industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Company's ability to acquire suitable new prospects for exploration in the future. Competition could also affect the Company's ability to raise financing to fund the exploration and development of its properties or to hire qualified personnel.

*Key Personnel*

The Company's operations are dependent to a large degree on the skills and experience of certain key personnel. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a materially adverse outcome on the Company and its securities.

*Uninsurable*

The Company and its subsidiaries may become subject to liability for pollution, fire, explosion and other risks against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

*Critical Accounting Estimates*

In the preparation of financial information, management makes judgments, estimates and assumptions that affect, amongst other things, the carrying value of its mineral property assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value. Management's estimates of exploration, operating, capital and reclamation costs, if any, are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best

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estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties. The Company also uses the Black-Scholes Option Pricing Model in relation to share based payments. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

#### **FORWARD-LOOKING STATEMENTS**

Certain of the statements made herein may constitute "forward-looking statements" or contain "forward-looking information" within the meaning of applicable Canadian securities laws. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the potential for mineralization at the Company's properties, the timelines to complete the Company's exploration programs, timing for permit applications, timing for resource estimates, timing to complete technical reports, forecasts for exploration expenditures, estimates of future administrative costs and statements about the Company's future development of its properties.

Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mine exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the potential for unexpected costs and expenses and commodity price; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors.

Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of commodities; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. The Company does not intend to update forward-looking statements or information, except as may be required by applicable law.

#### **QUALIFIED PERSON**

Dr. T.F. Morris (President and CEO) is the Company's Qualified Person ("QP") (as defined in National Instrument 43-101, "Standards of Disclosure for Mineral Projects") for all projects, except the Croteau Est gold project. Mr. Ron Avery is the QP for the Croteau Est gold project. As the Company's QP, Dr. Morris has prepared or supervised the preparation of the scientific or technical information for the properties as referred to in this MD&A, except for the Croteau Est gold property. Mr. Avery was responsible for the preparation and supervision of scientific and technical information for Croteau Est gold project.

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**APPROVAL**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the Financial Statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

**ADDITIONAL INFORMATION**

Additional information is available on the Company's website at [www.nsuperior.com](http://www.nsuperior.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).