



MIDNIGHT SUN

MIDNIGHT SUN MINING CORP.

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**

FOR THE YEAR ENDED DECEMBER 31, 2016

As at April 25, 2017

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Introduction

The following management's discussion and analysis ("MD&A") of Midnight Sun Mining Corp. has been prepared as of April 25, 2017. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements ("Financial Statements") of Midnight Sun Mining Corp. and the notes thereto for the year ended December 31, 2016, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. All figures are expressed in Canadian dollars except where otherwise indicated.

Management is responsible for the preparation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and MD&A, is complete and reliable.

Description of Business

Midnight Sun Mining Corp. (the "Company" or "Midnight Sun") was incorporated on April 11, 2007 pursuant to the Business Corporations Act of British Columbia and was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSXV") Policy 2.4. On May 12, 2010, the Company completed a Qualifying Transaction. The Company's principal business activity is acquiring, exploring and evaluating mineral properties and joint venturing or developing these properties further or disposing of them when their evaluation is completed. At December 31, 2016, the Company was in the exploration stage of activity on its optioned exploration permit licenses in Zambia, and the Financial Statements include the accounts of its subsidiary Midnight Sun Mining Zambia Limited ("MSM Zambia"), a company incorporated on October 29, 2013 under the laws of Zambia.

Forward Looking Information

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied

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by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at www.sedar.com. 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.

Financial Highlights for the Fiscal Year Ended December 31, 2016

- On December 31, 2016, the Company reported total assets of \$2,723,035, consisting of current assets of \$790,126 and exploration and evaluation assets of \$1,932,909.
- On January 29, 2016, the Company announced the closing of the third and final tranche of a non-brokered private placement. In the third tranche, the Company issued 4,045,000 units at a price of \$0.10 per unit for gross proceeds of \$404,500. Each unit consists of one common share in the capital of the Company and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of twenty-four months from closing, at an exercise price of \$0.20.
- On December 2, 2016, the Company closed a non-brokered private placement issuing 10,632,000 units at a price of \$0.10 for gross proceeds of \$1,063,200 in two tranches. Finders' fees of \$44,256 were paid in cash and 402,560 Finders' Warrants were issued in conjunction with closing the placement. Each Finders' Warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 prior to December 2, 2018.
- On December 29, 2016, the Company closed a non-brokered private placement. Midnight Sun issued 2,050,000 units at a price of \$0.12 for gross proceeds of \$246,000. Finders' fees of \$4,464 were paid in cash and 37,200 Finders' Warrants were issued in conjunction with closing the placement. Each Finders' Warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 for a period of twenty-four months, expiring on December 29, 2018.

Highlights for the Fiscal Year Ended December 31, 2016

- On March 10, 2016, the Company released the results of core drilling on the Mitu and Dumbwa Central target areas on its Solwezi copper-cobalt licenses in northwest Zambia. The drill program, consisting of 610 metres of HQ core drilled in 5 holes, encountered significant mineralization in all holes.

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- On August 18, 2016, Midnight Sun announced First Quantum Minerals (TSX: FM) was conducting due diligence investigations on the Company's Solwezi licenses with initial work expected to be completed during the fourth quarter of 2016.
- On October 3, 2016, the Company announced an agreement with Kam Chuen Resource Holdings Ltd. ("Kam Chuen") to amend the option agreement covering the Solwezi Licenses (see "*Exploration and Evaluation Assets*").
- On November 1, 2016, Midnight Sun announced it had retained Blue Rock Mining Services Ltd. to conduct a drill campaign on the Solwezi licenses.

Events Subsequent to December 31, 2016

- On January 12, 2017, Midnight Sun announced the results of the drill program conducted on the Solwezi licenses during the fourth quarter of 2017. A total of 1916.9 metres of HQ/NQ core was drilled in 15 holes and 2,581.5 metres was drilled in 95 shallow Air Core holes. Significant mineralization was encountered in several holes on the Mitu and Dumbwa Central targets.
- On February 10, 2017, the Company announced a geophysical program at the Mitu target. The program was designed to map the strike and depth extents of the host rock of ore shale type mineralization identified by core drilling

Exploration and Evaluation Assets

Zambian Properties

On July 30, 2013, the Company, entered into an option agreement (the "Option Agreement") with Kam Chuen Resource Holdings Ltd. ("Kam Chuen"), to acquire a 60% interest in two mineral exploration permit licenses located near Solwezi, Zambia, 14039-HQ-LPL and 12124-HQ-LPL (the "Solwezi Licenses"). The TSXV approved the Option Agreement on December 6, 2013.

The Option Agreement was subsequently amended effective April 7, 2015 and July 12, 2016. The following terms reflect the amended Option Agreement:

- a) The Company issue a total of 15,333,333 common shares to Kam Chuen or its assigns according with 1,333,333 shares issued upon TSX.V acceptance (issued February 14, 2014; valued at \$186,667) and the remaining 14,000,000 shares on July 31, 2016 (issued February 10, 2017); and
- b) Incur a total of \$3,666,667 in Expenditures on the mineral exploration permit licenses by December 6, 2018.

After earning a 60% interest, Midnight Sun has the exclusive right to purchase an additional 20% interest in the Zambian Properties.

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The Solwezi Licenses, which cover a total of 506 square kilometres, are located in the Zambian Copperbelt approximately 15 kilometres from the producing Kinsanshi copper/gold mine and roughly 450 kilometres northwest of the Zambian capital of Lusaka.

As at December 31, 2016, the Company had funded the following expenditures on the Solwezi Licenses:

Site and project expenditures	31-Dec-15	Additions	31-Dec-16
Acquisition costs	\$ 225,349	\$ (8,671)	\$ 216,678
Assays	48,410	76,291	124,701
Diamond drilling	469,197	575,583	1,044,780
Field expenses	79,404	87,183	166,587
General & administration	961	765	1,726
Geological consulting	207,190	53,294	260,484
Travel and accommodation	91,106	26,847	117,953
Total operations funded	\$ 1,121,617	\$ 811,292	1,932,909

During fiscal 2016, the Company completed 1,916.9 metres of diamond drilling in 15 holes and 2,581.5 metres was drilled in 95 shallow Air Core holes as well as conducting a geophysical program at Solwezi. Based on results of the 2016 work program, the Company considers the Mitu area to be a priority target for future work. Geochemical work and geophysical surveys to detect the presence of conductive shale units within the identified favourable trend are planned for the spring of 2017 with drilling to follow. Additional work on the 22 Zone and Dumbwa Central area may also be undertaken on the Solwezi Licenses. As exploration funds become available the Company plans additional drilling on identified drill targets.

Mineral exploration licenses 14039-HQ-LPL and 12124-HQ-LPL were issued by the Republic of Zambia, in accordance with the Mines and Minerals Development Act, 2008, and administered by the Zambian Ministry of Mines and Energy and Water Development. The prospecting licenses once granted, were valid for an initial period of two years with the option to be renewed for an additional two-year term, with a total maximum period not exceeding seven years.

On February 19, 2015, the Company received the Zambian Ministry of Mines approval for the renewal of Prospecting License 14039-HQ-LPL for an additional two years until March 24, 2017. This was the second two-year renewal for Prospecting License 14039-HQ-LPL. On September 11, 2016, an application was submitted for the third and final renewal for Prospecting License 14039-HQ-LPL. On March 1, 2017, the Acting Chief Registrar of Mining Rights issued a new license 21509-HQ-LEL to replace 14039-HQ-LPL. This new license covers the same ground as the previous license. License 21509-HQ-LEL will be in effect for a period of 4 years with the option for future renewals providing the license is maintained in accordance with the contained terms and the Mines and Mineral Development Act, 2015.

On February 17, 2016, the Company applied for the second two-year renewal for Prospecting License 12124-HQ-LPL, and on August 17, 2016 the corresponding area charges were paid and a receipt issued by the Republic of Zambia. Subsequently, on October 25, 2016 notice was received

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by Kam Chuen the renewal had been rejected on the grounds of non-payment of area charges, non-submission of a Pegging Certificate and inadequacies in the renewal submission. The Company and Kam Chuen have contested, with support, the first claim, provided a Pegging Certificate and corrected the minor deficiency in the renewal submission. The Company has retained legal representation in Zambia to assist with obtaining the renewal, and anticipates the renewal to Prospecting License 12124-HQ-LPL will be granted by the Zambian Ministry of Mines and Energy and Water Development in due course.

Exploration Property Expenditures

The following table presents the Company's expenditures relating to mineral properties on a property-by-property basis for the two most recent financial years.

	Solwezi	Total
Balance, December 31, 2014	\$ 923,968	\$ 923,968
Acquisition costs	12,528	12,528
Exploration expenditures	185,121	185,121
Balance, December 31, 2015	\$ 1,121,617	\$ 1,121,617
Acquisition costs	(8,671)	(8,671)
Exploration expenditures	819,963	819,963
Balance, December 31, 2016	\$ 1,932,909	\$ 1,932,909

Richard Mazur, P.Geo., Director of the Company, reviewed and approved the Exploration and Evaluation Assets descriptions in this Management's Discussion and Analysis.

Selected Annual Information

The following table summarizes selected financial information for the Company for each of its most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements. All information was prepared in accordance with IFRS.

	Year ended Dec 31, 2016	Year ended Dec 31, 2015	Year ended Dec 31, 2014
	\$	\$	\$
Total revenue	Nil	Nil	Nil
Net income (loss)	(407,009)	(231,019)	(248,079)
Basic and fully diluted income (loss) per share	(0.01)	(0.01)	(0.01)
Total assets	2,723,035	1,181,587	939,288
Total long term liabilities	Nil	Nil	Nil
Dividends declared	Nil	Nil	Nil

The loss for the year ended December 31, 2016 is comprised of share-based payments of \$182,920 and general and administrative expenses of \$224,089. The loss for the year ended December 31, 2015 is comprised of share-based payments of \$10,500 and general and administrative expenses

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of \$220,424. The loss for the year ended December 31, 2014 was mainly comprised of share-based payments of \$27,292 and other general and administrative expenses totalling \$215,012.

Summary of Quarterly Results

The table below present's selected financial data for the Company's eight most recently completed quarters, all information was prepared in accordance with IFRS.

	Dec 31, 2016 \$	Sept 30, 2016 \$	June 30, 2016 \$	Mar 31, 2016 \$	Dec 31, 2015 \$	Sept 30, 2015 \$	June 30, 2015 \$	Mar 31, 2015 \$
Financial results								
Net loss for period	224,096	56,414	63,044	63,455	67,171	63,210	46,197	54,441
Basic & diluted loss per share	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Exploration expenditures	806,222	11,211	5,082	(2,552)	196,623	206	622	199
Statement of Financial Position								
Cash	698,149	8,448	13,860	65,301	Nil	Nil	Nil	Nil
Exploration & evaluation assets	1,932,909	1,135,358	1,124,147	1,119,065	1,121,617	937,523	937,362	924,167
Total assets	2,723,035	1,156,168	1,161,302	1,218,788	1,181,587	1,014,904	945,235	943,238
Shareholders' equity	2,197,313	986,054	1,042,468	1,105,512	868,930	579,264	616,974	663,171

Exploration expenditures during all quarters shown relate to work done on the Solwezi Licenses. Net losses for all periods reflect general and administrative costs including legal and accounting.

Overall Performance & Results of Operations

Three Month Period Ended December 31, 2016

The Company's loss for the three months ended December 31, 2016, was \$224,096, or \$0.01 per share, as compared to a loss of \$67,171, or \$0.01 per share for the three months ended December 31, 2015. Major expenses during the three-month period ended December 31, 2016 consisted of accounting and audit fees, \$5,227 (2015: \$7,607), consulting fees, \$3,000 (2015: \$nil), investor and shareholder relations, \$8,925 (2015: \$33,000), legal fees, \$nil (2015: \$648), office services and miscellaneous expenses, \$13,357 (2015: \$12,373), regulatory and transfer agent fees, \$943 (2015: \$2,160), share-based payments, \$182,920 (2015: \$nil), travel, \$nil (2015: \$2,268) and wages and benefits, \$10,050 (2015: \$9,497).

Twelve Month Period Ended December 31, 2016

The Company's loss for the twelve months ended December 31, 2016, was \$407,010, or \$0.01 per share, as compared to a loss of \$231,019, or \$0.01 per share for the twelve months ended December 31, 2015. Major expenses during the twelve-month period ended December 31, 2015 consisted of accounting and audit fees, \$35,620 (2015: \$30,520), consulting fees, \$3,000 (2015: \$nil), investor and shareholder relations, \$88,123 (2015: \$84,000), legal fees, \$1,877 (2015: \$2,241), office services and miscellaneous expenses, \$42,507 (2015: \$48,218), regulatory and transfer agent fees, \$11,905 (2015: \$11,608), share-based payments, \$182,920 (2015: \$10,500), travel, \$978 (2015: \$5,846) and wages and benefits, \$38,482 (2015: \$37,991).

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During the twelve-month period ended December 31, 2016, \$249,083 in cash was used for operating activities and \$521,240 in cash was used for exploration and evaluation investments, these outflows were funded by financing activities totalling \$1,468,472.

Liquidity

As at December 31, 2016, the Company had a \$698,149 cash position. The Company does not have cash flow from operations due to it being an exploration stage company; therefore, financings have been the sole source of funds. At December 31, 2016, the Company had working capital of \$264,404 and an accumulated deficit of \$4,522,293. In the opinion of management this working capital is insufficient to support the Company's near term general administrative and corporate operating requirements on an on-going basis.

Liquidity Outlook

At present, in order to finance the Company's 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 exploration and evaluation assets. 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 calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities.

Given volatility in equity markets, global uncertainty in economic conditions, cost pressures and results of exploration activities there can be no certainty equity funding will be available to the Company or if available funding will be on acceptable terms. Management believes it will be able to raise equity capital as required, but recognizes that there will be risks which may be beyond its control.

Capital Resources

The Company does not have sufficient capital at this time to fulfil its obligations under the Option Agreement or to meet its administrative overhead expenses for the next twelve months and does not have any alternative funding arrangements in place. If the Company is unable to raise required capital it will not fulfil obligations under the Option Agreement or continue to operate.

Going Concern

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Several material uncertainties may cast a significant doubt on the validity of this assumption. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its exploration and

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evaluation asset projects. The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its mineral projects by issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its exploration and evaluation assets.

Related Party Transactions

The Company's related parties at December 31, 2016 consist of 7 officers and directors (and their related companies).

Name of Related Party	Position at Dec 31, 2016	Nature of transaction
Allan J. Fabbro	Director	Director
Adrian Karolko	Director (MSM Zambia)	Geological consulting
Mathew Mackenzie	Secretary	Corporate secretary
Richard J. Mazur	Director	Director
Wayne Moorhouse	CFO	Management services
Robert A. Sibthorpe / 069426 BC Ltd	President, CEO & director	Management services
Tom Ye	Director	Geological services

The following amounts were incurred or paid to related parties and/or their related companies during the years ended December 31, 2016 and 2015:

Nature of Expenditure	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Exploration & evaluation asset expenditures		
Geological consulting	\$26,179	\$15,450
Wages and benefits	\$24,000	\$24,000
Share-based payments	\$165,332	-
Total	\$215,511	\$39,450

Compensation paid or accrued to key management and/or their related companies during the years ended December 31, 2016 and 2015 is as follows:

Key management	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Fees	\$24,000	\$49,230
Share-based payments	\$165,332	-
Total	\$189,332	\$49,230

Key management consists of those individuals having authority and responsibility for, directly or indirectly, planning, directing, and controlling the activities of the Company.

As at December 31, 2016, \$2,657 (December 31, 2015 - \$21,103) is due to officers, directors or companies with a director in common for cash advances, unpaid geological consulting fees, unpaid wages and unpaid expenses.

All the above payments and accruals were made in the normal course of operations and have been valued here and in the Financial Statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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Critical Accounting Estimates

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy to capitalize exploration costs is consistent with IFRS and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies that have not established mineral reserves. An alternative policy would be to expense exploration costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier reviews if circumstances warrant, in the event that the long-term expectation is the net carrying amount of capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Financial and Other Instruments

Financial Instruments – Recognition and Measurement

Financial instruments include cash, receivables (including amounts receivable from option partners), accounts payable and accrued liabilities (including amounts payable to joint venture partners) and amounts due to related parties.

The Company has designated each of its significant categories of financial instruments as follows:

Cash	Fair value through profit or loss
Receivables	Loans and receivables
Amounts due to related parties	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities

Fair value adjustments, if any, are not reasonably determinable by management as comparable interest rate and risk profiles are not available.

Fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

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Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Fair Value

The carrying value of receivables, accounts payable and accrued liabilities, and amounts due to related parties approximated their fair value because of the short-term nature of these instruments.

Financial Risks and Uncertainties

Interest rate risk

The Company has non-material exposure at December 31, 2016 and December 31, 2015 to interest rate risk through its financial instruments.

Currency Risk

Throughout the years ended December 31, 2016 and December 31, 2015, the majority of the Company's cash was held in Canadian dollars, the Company's functional and reporting currency. The Company is exposed to currency risk due to accounts payable in US Dollars

Credit risk

The Company has no significant concentrations of credit risk arising from operations. The Company has some cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by Canadian financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Management believes the risk to be minimal.

Receivables consist mainly of goods and services tax due from the Federal Government of Canada.

Liquidity Risk

The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at December 31, 2016, the Company had \$698,149 cash (December 31, 2015 – \$nil) and current liabilities of \$525,722 (December 31, 2015 -

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\$312,657). The Company's current working capital is insufficient to support the Company's near term general administrative and corporate operating requirements on an on-going basis. The Company intends to raise funds adequate to meet its liquidity needs for the next twelve months via private placement.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year:

- Cash includes deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would not materially affect the net loss;
- The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Finance Risk

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities or joint ventures, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

Non-Financial Risks and Uncertainties

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The risks and uncertainties described in this section are not inclusive of all risks and uncertainties to which the Company may be subject.

Early Stage – Need for Additional Funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

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Political Risk

The Company's operations and investments may be affected by local political and economic developments including: expropriation; nationalization; invalidation of governmental orders; permits or agreements pertaining to property rights; failure to enforce existing laws; failure to uphold property rights; political unrest; labour disputes; limitations on repatriation of earnings; limitations on foreign ownership; inability to obtain or delays in obtaining necessary mining permits; opposition to mining from local, environmental or other non-governmental organizations; government participation; royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations; taxation and changes in laws, regulations or policies; as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

Location Risk

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on exploration and evaluation assets.

Discovery Risk

Resource property acquisition, exploration, development, and operation is a highly speculative business that involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of precious metals and other minerals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish economically viable mineral deposits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the acquisition, exploration or development programs planned by the Company will result in a profitable commercial mining operation. The potential for any project to eventually become an economically viable operation depends on numerous factors including: the quantity and quality of the minerals discovered if any, the proximity to infrastructure, metal and mineral prices (which vary considerably over time) and government regulations. The exact effect these factors can have on any given exploration property cannot accurately be predicted but the effect can be materially adverse.

Environmental Risk

Environmental laws and regulations may affect the operations of Midnight Sun. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Furthermore, the permission to operate could be withdrawn temporarily where there is evidence of serious breaches of health and safety, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damages caused by previous owners of acquired properties or non-compliance with environmental laws or regulations. The Company intends to minimize these risks by taking steps

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to ensure compliance with environmental, health and safety laws and regulations and operating to international environmental standards.

Price Risk

The market price of precious metals and other minerals is volatile and cannot be controlled.

Conflicts

The Company's directors and officers serve as directors or officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction.

Dependence on Key Personnel

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Competitive Risk

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

Share Capital Information

The table below presents the Company's common share data as of April 25, 2017.

	Price	Expiry date	April 25, 2017
Common shares, issued and outstanding			60,944,266
Securities convertible into common shares:			
Stock Options	\$0.25	May 31, 2017	525,000
	\$0.155	April 5, 2018	100,000
	\$0.25	January 23, 2019	300,000
	\$0.25	November 28, 2021	2,950,000
Total Options			<u>3,875,000</u>
Warrants	\$0.20	October 26, 2017	1,356,250
	\$0.20	November 4, 2017	200,000
	\$0.20	January 29, 2018	4,045,000
	\$0.20	December 2, 2018	10,532,000
	\$0.20	December 29, 2018	2,050,000
Broker Warrants	\$0.30	January 29, 2018	134,000
	\$0.20	December 2, 2018	402,560
	\$0.20	December 29, 2018	37,200
Total Warrants			<u>18,757,010</u>
Total options & warrants			<u>22,632,010</u>

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Dividends

Midnight Sun has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and. Any future determination to pay dividends will be at the discretion of the Board of Directors of Midnight Sun and will depend on Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deem relevant.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Changes in Accounting Policy

Please see note 3 in the financial statements.

Proposed Transactions

The Company has no proposed transactions as of the date of this MD&A.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Events Subsequent to Year End

On January 12, 2017, Midnight Sun announced the results of the drill program conducted on the Solwezi licenses during the fourth quarter of 2017. A total of 1916.9 metres of HQ/NQ core was drilled in 15 holes and 2,581.5 metres was drilled in 95 shallow Air Core holes. Significant mineralization was encountered in several holes on the Mitu and Dumbwa Central targets.

On February 10, 2017, the Company announced a geophysical program at the Mitu target. The program was designed to map the strike and depth extents of the host rock of ore shale type mineralization identified by core drilling

Subsequent to December 31, 2016, the Company received \$260,000 upon the exercise of 1,300,000 warrants priced at \$0.20, set to expire on November 4, 2017. The Company received an additional \$20,000 upon the exercise of 100,000 warrants priced at \$0.20, set to expire on October 28, 2018.

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Commitments

Other than obligations relating to the Agreement disclosed in the Financial Statements and elsewhere this MD&A the Company does not have any commitments.

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning Midnight Sun's general and administrative expenses and exploration and evaluation assets expenditures is provided in the Company's Financial Statements as at and for the period ended December 31, 2016. These Financial Statements are available on SEDAR at www.sedar.com.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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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 Midnight Sun 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 SEDAR at www.sedar.com.