



Midnight Sun Mining Corp.

Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

Midnight Sun Mining Corp.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)
As at

	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 19,161	\$ 1,528,810
Advances and deposits	116,285	58,157
Receivables	82,000	12,430
	217,446	1,599,397
Exploration and evaluation assets (note 5)	11,145,524	7,801,518
	\$ 11,362,970	\$ 9,400,915
LIABILITIES and SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,075,234	\$ 117,598
Due to related parties (note 7)	290,931	282,530
	1,366,165	400,128
Shareholders' equity		
Share subscriptions received in advance (note 6)	-	200,000
Share capital (note 6)	15,339,652	13,393,819
Reserves - options (note 6)	1,336,083	728,496
Reserves - warrants (note 6)	111,840	92,070
Deficit	(6,790,770)	(5,413,598)
	9,996,805	9,000,787
	\$ 11,362,970	\$ 9,400,915

Nature of operations (note 1)
Basis of presentation (note 2)
Events after reporting date (note 11)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved and authorized by the Board of Directors on November 27, 2018:

"Robert Sibthorpe"

Robert Sibthorpe, Director

"Allan Fabbro"

Allan Fabbro, Director

Midnight Sun Mining Corp.
Condensed Consolidated Interim Statements of Operations
and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Expenses				
Accounting and audit fees	\$ 8,448	\$ 9,428	\$ 35,884	\$ 63,082
Consulting fees (note 7)	38,910	29,445	226,141	47,445
Investor and shareholder relations	12,254	18,507	171,141	45,791
Legal fees	15,000	(29,866)	75,450	7,858
Office services and miscellaneous	22,567	13,278	92,978	46,235
Regulatory and transfer agent fees	953	1,230	17,364	12,527
Share-based payments (note 6)	6,152	220,455	607,587	220,455
Travel and accommodation	2,609	1,362	9,695	8,404
Wages and benefits (note 7)	14,375	14,930	134,845	47,628
	(121,268)	(278,769)	(1,371,085)	(499,425)
Foreign exchange loss	(5,805)	(102)	(6,087)	(102)
Interest income (expense)	-	38	-	401
Loss and comprehensive loss for the period	\$ (127,073)	\$ (278,833)	\$ (1,377,172)	\$ (499,126)
Loss per share				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted Average Number of Common Shares				
Outstanding				
Basic and diluted	80,444,447	61,415,220	78,191,334	58,741,534

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Midnight Sun Mining Corp.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital		Share	Reserves -	Reserves -	Deficit	Total
	Shares	Amount	subscriptions received in advance				
Balance - December 31, 2016	45,544,266	\$ 6,117,335	\$ -	\$ 69,577	\$ 532,694	\$ (4,522,293)	\$ 2,197,313
Shares issued for cash for exercise of options	350,000	87,500	-	-	-	-	87,500
Units issued for cash for exercise of warrants	1,584,460	316,892	-	-	-	-	316,892
Share-based payments	-	-	-	-	220,455	-	220,455
Shares issued for exploration and evaluation assets	14,000,000	3,920,000	-	-	-	-	3,920,000
Loss for the period	-	-	-	-	-	(499,126)	(499,126)
Balance - September 30, 2017	61,478,726	10,441,727	-	69,577	753,149	(5,021,419)	6,243,034
Shares issued for cash for exercise of warrants	1,931,250	387,677	200,000	(1,427)	-	-	586,250
Shares issued for cash for exercise of options	-	44,673	-	-	(44,673)	-	-
Shares issued for cash for private placement	9,002,708	2,700,812	-	-	-	-	2,700,812
Share issuance costs	-	(181,070)	-	23,920	-	-	(157,150)
Share-based payments	-	-	-	-	20,020	-	20,020
Loss for the period	-	-	-	-	-	(392,179)	(392,179)
Balance - December 31, 2017	72,412,684	13,393,819	200,000	92,070	728,496	(5,413,598)	9,000,787
Shares issued for cash for exercise of warrants	4,477,800	896,891	(200,000)	(1,331)	-	-	695,560
Shares issued for cash for exercise of options	100,000	15,500	-	-	-	-	15,500
Shares issued for cash for private placement	3,453,963	1,105,268	-	-	-	-	1,105,268
Share issuance costs	-	(71,826)	-	21,101	-	-	(50,725)
Share-based payments	-	-	-	-	607,587	-	607,587
Loss for the period	-	-	-	-	-	(1,377,172)	(1,377,172)
Balance - September 30, 2018	80,444,447	15,339,652	-	111,840	1,336,083	(6,790,770)	9,996,805

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Midnight Sun Mining Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine months ended September 30,	
	2018	2017
Operating activities		
Loss for the period	\$ (1,377,172)	\$ (499,126)
Items not affecting cash:		
Share-based payments	607,587	220,455
Changes in non-cash working capital		
Accounts payable and accrued liabilities	(190,810)	(19,937)
Due to related parties	8,401	4,145
Accounts receivable	(69,574)	90,777
Advances and deposits	(58,125)	(8,660)
	(1,079,693)	(212,346)
Investing activities		
Exploration and evaluation assets expenditures	(2,195,559)	(865,221)
	(2,195,559)	(865,221)
Financing activities		
Proceeds from issuances of units and shares	1,816,328	404,392
Share issuance costs	(50,725)	-
	1,765,603	404,392
Net change in cash	(1,509,649)	(673,175)
Cash, beginning of year	1,528,810	698,149
Cash, end of period	\$ 19,161	\$ 24,974

SUPPLEMENTAL CASH DISCLOSURES

Cash paid for:

Income taxes	\$ -	\$ -
Interest	\$ -	\$ (401)

SUPPLEMENTAL NON-CASH DISCLOSURES

Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ 1,187,206	\$ 1,502,740
Exploration and evaluation assets included in due to related parties	\$ 75,380	\$ (90)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Midnight Sun Mining Corp.
(An Exploration Stage Company)
**Condensed Consolidated Interim Schedule of
Exploration and Evaluation Assets**

(Expressed in Canadian Dollars)

(Unaudited)

September 30, 2018

		Solwezi
Balance, December 31, 2016	\$	1,932,909
Acquisition costs (note 5)		3,920,000
Exploration expenditures (note 5)		1,948,609
Balance, December 31, 2017	\$	7,801,518
Acquisition costs (note 5)		-
Exploration expenditures (note 5)		3,344,006
Balance, September 30, 2018	\$	11,145,524

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Nature of Operations

Midnight Sun Mining Corp. (the "Company") was incorporated on April 11, 2007 pursuant to the Business Corporations Act of British Columbia. The Company's principal business activity is the acquisition and exploration of mineral property interests. The Company is in the exploration stage and substantially all the Company's efforts are devoted to financing and exploring these property interests. There has been no determination whether the Company's interests in unproven exploration and evaluation assets contain economically recoverable mineral resources.

The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "MMA", and its corporate head office is located at Suite 770, 789 West Pender Street, Vancouver, BC.

2. Basis of Presentation

a) Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of November 27, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2017, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

These unaudited condensed consolidated interim financial statements were authorized by the Board of Directors on November 27, 2018.

b) Going concern

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption were not appropriate for these unaudited condensed consolidated interim financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classifications used.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

During the nine months ended September 30, 2018 and the year ended December 31, 2017, the Company experienced operating losses before income taxes and negative operating cash flows with the operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. These material

uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

As at September 30, 2018, the Company had an accumulated deficit of \$6,790,770 (December 31, 2017 - \$5,413,598) and has a working capital deficit of \$1,148,719 (December 31, 2017 - working capital of \$1,199,269). Management has estimated that the Company will require additional financing to complete all planned exploration programs during the year ended December 31, 2018. Continued operations are dependent on the Company's ability to complete public equity financing, secure project debt financing or generate profitable operations in the future.

In the event cash flow from operations, if any, together with the proceeds for any future financings are insufficient to meet the Company's operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations.

These unaudited condensed consolidated interim financial statements do not give effect to adjustments, which could be material, to the carrying values and classification of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

c) Consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary Midnight Sun Mining Zambia Limited ("MSM Zambia"), a company incorporated on October 29, 2013 under the laws of Zambia. The Company has consolidated the operations of MSM Zambia since acquiring control of the subsidiary. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and the ability to use its power over the investee to affect its returns. All significant inter-company transactions have been eliminated upon consolidation.

d) Functional and presentation currency

The Company's reporting and functional currency is the Canadian dollar. The functional currency of MSM Zambia is also the Canadian dollar. Monetary assets and liabilities of the Company are translated into Canadian dollars at the exchange rate in effect on the statement of financial position date while non-monetary assets and liabilities are translated at historical rates, and revenues and expenses are translated at the average rates over the reporting period. Gains and losses from these translations are included in the results from operations.

e) Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

f) Estimates and judgments

The preparation of these unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim financial statements and may require

accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the unaudited condensed consolidated interim financial statements are as follows:

i. Asset carrying values and impairment charges

At each reporting period, the Company reviews its non-current assets to determine whether there are any indications of impairment. Calculating the estimated recoverable amount of the cash generating unit for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable reserves, estimated future commodity prices, the expected future operating and capital costs and discount rates. Changes in any of these assumptions or estimates used in determining the recoverable amount could impact the impairment analysis.

ii. Recognition of deferred taxes

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

iii. Share-based payments

Estimating the fair value of granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected rate of forfeitures and dividend yield and making assumptions about them.

iv. Provision for environmental rehabilitation

The Company assesses its reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for environmental rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost, and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rate, and changes in discount rates. These uncertainties may result in future expenditures differing from the amounts currently provided.

v. Asset acquisition

During fiscal 2017 the Company fulfilled all requirements to earn a 60% interest in the Solwezi property (note 5). The transfer of the 60% interest to the Company has not occurred to date and requires government approval. Management determined that the acquisition when it occurs will represent an acquisition of assets rather than a business combination because the mineral properties were in the exploration and evaluation stage and had not demonstrated technical feasibility, economic viability or the ability to provide economic benefit. The Solwezi property does not have the workforce, resources and reserves, mine plan, or financial resources to meet the definition of a business for accounting purposes. The Company has made the judgment that government approval is required for the asset acquisition to be

completed for accounting purposes as there is uncertainty surrounding timing and completion of this approval.

vi. Functional currency

Management considers the determination of the functional currency of the Company a significant judgment. Management has used its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and considered various factors including the currency of historical and future expenditures and the currency in which funds from financing activities are generated. A Company's functional currency is only changed when there is a material change in the underlying transactions, events and conditions.

3. New accounting standards

These new standards, and these amendments to standards are not yet effective as of January 1, 2018 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. These new standards and these amendments are not expected to have a material effect on the unaudited condensed consolidated interim financial statements of the Company. The Company intends to adopt the following standard and amendments when they become effective:

i IFRS 16 Leases

IFRS 16 is a new standard that set out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the effect, if any, the standard will have on its unaudited condensed consolidated interim financial statements.

New accounting standards adopted

i. IFRS 7 - Financial Instruments: Disclosures

The amendment provides for further detail of accounting for transferring a financial asset. This amendment is effective for annual reporting periods beginning on or after January 1, 2018. The amendment does not have a material impact on the Company's unaudited condensed consolidated interim financial statements.

ii. IFRS 9 - Financial instruments, classification and measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. This standard addresses the classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The Company does not anticipate the standard to have a material impact on the Company's unaudited condensed consolidated interim financial statements.

This standard is effective for annual periods beginning on or after January 1, 2018. The amendment does not have a material impact on the Company's unaudited condensed consolidated interim financial statements.

iii. IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Service*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The amendment does not have a material impact on the Company's unaudited condensed consolidated interim financial statements.

4. Management of Financial Risk

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

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.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) 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. Cash is measured using level 1 inputs of the fair value hierarchy.

b) Interest rate risk

The Company has non-material exposure at September 30, 2018 and December 31, 2017 to interest rate risk through its financial instruments.

c) Currency risk

At September 30, 2018 and December 31, 2017, most of the 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 denominated in US Dollars. A 1% change in the foreign exchange rate between the Canadian and US Dollar would result in a fluctuation of \$17 on the net loss for the period.

d) 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 also has \$1,692 held with a major financial institution in Zambia. Management believes the risk of loss to be remote.

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

e) 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 September 30, 2018, the Company had \$19,161 cash (December 31, 2017 – \$1,528,810) and current liabilities of \$1,366,165 (December 31, 2017 - \$400,128). 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.

5. Exploration and Evaluation Assets

Solwezi property

On July 30, 2013, the Company, entered into an option agreement (the "Option") with Kam Chuen Resource Holdings Ltd. ("Kam Chuen"), to acquire a 60% interest in two mineral exploration permit licenses located near Solwezi, Zambia (the "Solwezi Licenses").

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

- a) The Company issue 15,333,333 common shares 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 15, 2017; valued at \$3,920,000); and
- b) Incur a total of \$3,666,667 in Expenditures on the mineral exploration permit licenses by December 6, 2018 (completed).

As at September 30, 2018 and December 31, 2017, the Company had funded the following exploration expenditures on the Solwezi Licenses:

	September 30, 2018	December 31, 2017
and project expenditures		
Acquisition costs	\$ 4,136,678	\$ 4,136,678
Assays	339,461	225,567
Drilling	3,021,168	2,067,589
Equipment	83,134	-
Field expenses	1,224,295	364,738
General and administrative	308,177	3,938
Geological consulting	1,011,123	555,610
License	308,866	168,953
Travel and accomodation	712,622	278,445
total operations funded	\$ 11,145,524	\$ 7,801,518

At December 31, 2017 the Company had fulfilled all requirements to earn the 60% interest in the Solwezi Licenses having issued 15,333,333 common shares to Kam Chuen and incurring \$3,801,465 in property related expenditures. Under the terms of the Option upon earning the 60% interest Kam Chuen and Midnight Sun will enter into a joint venture agreement governing the further exploration and development of the Solwezi Licenses, and Kam Chuen will transfer 60% ownership interest in ZHLMIL to the Company. The Company and Kam Chuen have initiated discussions on the final form of the joint venture.

Pursuant to the Option with Kam Chuen, the Company is entitled to charge a 10% operator fee, which is to be included in calculating the total work expenditures.

On September 11, 2016, the Company applied 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 November 3, 2017, the Zambian Mining Cadastre issued a renewal of prospecting license 12124-HQ-LPL as Large-Scale Exploration License, 12124-HQ-LEL, having an expiration date of December 23, 2018 with the option for a final 3-year renewal prior to that date in accordance with the Mines and Mineral Development Act, 2015. The Company has applied for a renewal of 12124-HQ-LEL and has received a written response indicating the final 3-year renewal will be granted.

On February 18, 2018, Midnight Sun and Kam Chuen signed a binding letter of intent and term sheet for the Company to acquire the remaining 40% interest in ZHLMIL that it had not earned by fulfilling its obligations under the Option. On October 1, 2018, the Company formally announced the termination of the letter of intent and term sheet with Kam Chuen to acquire the remaining 40% interest in ZHLMIL. Midnight Sun and Kam Chuen will continue to operate as partners in ZHLMIL with Midnight Sun holding a 60% interest and Kam Chuen holding a 40% interest as contemplated in the original Option..

6. Share Capital and Reserves

a) Authorised

Unlimited number of common shares authorised, without par value.

b) Share issuances

2017 share issuances

At December 31, 2017, the Company had 72,412,684 common shares (December 31, 2016 – 45,544,266) issued and outstanding.

As part of the Option with Kam Chuen Resource Holdings Ltd. to acquire a 60% interest in two mineral exploration permit licenses located near Solwezi, Zambia, the Company issued 14,000,000 common shares on February 15, 2017 at a price of \$0.28 per share (note 5).

On November 27, 2017, the Company closed a non-brokered private placement by issuing 9,002,708 units at a price of \$0.30 per unit for gross proceeds of \$2,700,812. 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 twelve months from closing, at an exercise price of \$0.45.

Finder's fees of \$141,540 were paid in cash and 471,799 Finder's Warrants valued at \$23,920 were issued in connection with the private placement. Additional share issuance costs of \$15,610 were paid in cash. Each Finder's Warrant entitles the holder to purchase one common share at a price of \$0.45 for a period of twelve months, expiring on November 27, 2018. The fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 1.41%; an expected volatility of 77%; an expected life of 1 year; a forfeiture rate of 0%; and an expected dividend of 0%.

During the year ended December 31, 2017, the Company received \$903,142 for exercise of 4,515,710 warrants. Prior to December 31, 2017, the Company issued 3,515,710 common shares. At December 31, 2017, the Company recognized \$200,000 as subscriptions received in advance. Subsequent to December 31, 2017, the Company issued the remaining 1,000,000 common shares.

2018 share issuances

During the period ended June 30, 2018, the Company received gross proceeds of \$696,891 and issued 3,477,800 common shares upon the exercise of 3,477,800 share purchase warrants priced at \$0.20. On April 3, 2018, the Company received \$15,500 and issued 100,000 common shares upon the exercise of stock options priced at \$0.155 with an expiry date of April 9, 2018.

On May 30, 2018, the Company closed a non-brokered private placement of 3,453,963 units at a price of \$0.32 per unit for gross proceeds of \$1,105,268. Each unit consists of one common share in the capital of the Company and one half of one common share purchase warrant. Each full warrant will entitle the holder to purchase one common share of the Company for a period of twelve months from the closing of the offering at an exercise price of \$0.48.

Finder's fees of \$43,704 were paid in cash and 136,575 Finder's Warrants were issued in connection with the private placement. Each Finder's Warrant will entitle the holder to purchase one common share at a price of \$0.48 prior to May 30, 2019.

c) Escrow shares

At September 30, 2018 and December 31, 2017, the Company has no outstanding escrow shares.

d) Stock options

The Company has a stock option plan (the "Plan") whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option may not be less than the closing price on the TSX-V on the last trading day preceding the grant date. Options granted to directors, officers, employees and consultants vest upon grant. Options granted in relation to investor relation services vest in equal quarterly intervals over a term of 12 months.

Stock options transactions are summarized as follows:

	Number of stock options outstanding	Weighted average exercise price
Balance, December 31, 2016	3,875,000	\$ 0.25
Granted	1,650,000	0.34
Exercised	(350,000)	0.25
Expired/Cancelled	(550,000)	0.25
Balance, December 31, 2017	4,625,000	\$ 0.28
Granted	2,575,000	0.25
Exercised	(100,000)	0.16
Balance, September 30, 2018	7,100,000	\$ 0.31
Exercisable	7,012,500	\$ 0.30

On August 21, 2017, the Company granted stock options to purchase an aggregate of 1,000,000 Common Shares at \$0.35 for a period of five years to an officer of the Company. The stock options vested immediately. The options are granted pursuant to the Company's Stock Option Plan and the contract may be cancelled by either party with 30 days' notice. The fair value of the options was estimated at \$0.2450 per option, with \$nil recorded as stock-based compensation in the current year (three months ended March 31, 2017 - \$nil). This calculation was done using the Black-Scholes option pricing model, based on a volatility of 90%, risk-free interest rate of 1.51%, no dividend, forfeiture rate of 10% and an expected life of 5 years.

On October 23, 2017, the Company granted stock options to purchase an aggregate of 650,000 Common Shares at \$0.315 for a period of one year to employees of the Company. The stock options vest in tranches of 162,500 every 3 months. The options are granted pursuant to the Company's Stock Option Plan and the contract may be cancelled by either party with 30 days' notice. The fair value of the options was estimated at \$0.0943 per option, with \$14,762 recorded as stock-based compensation in the current year (three months ended March 31, 2017 - \$nil). This calculation was done using the Black-Scholes option pricing model, based on a volatility of 90%, risk-free interest rate of 1.70%, no dividend, forfeiture rate of 10% and an expected life of 1 year.

During the year ended December 31, 2017, 350,000 options were exercised at a price of \$0.25, and as a result 350,000 common shares were issued. On September 30, 2017, 200,000 stock options with an exercise price of \$0.25 expired unexercised. On November 28, 2017, 350,000 stock options with an exercise price of \$0.25 expired unexercised.

On January 31, 2018, the Company granted stock options to purchase an aggregate of 2,575,000 Common Shares at \$0.36 for a period of five years to employees, consultants and directors of the Company. The stock options vest in tranches of 643,750 every 3 months. The options are granted pursuant to the Company's Stock Option Plan and the contract may be cancelled by either party with 30 days' notice. The fair value of the options was estimated at \$0.2479 per option, with \$574,462 recorded as stock-based compensation in the current year. This calculation was done using the Black-Scholes option pricing model, based on a volatility of 87%, risk-free interest rate of 2.08%, no dividend, forfeiture rate of 10% and an expected life of 5 years.

On April 3, 2018, the Company received \$15,500 and issued 100,000 common shares upon the exercise of stock options priced at \$0.155 with an expiry date of April 9, 2018.

The following table presents the assumptions used in the Black-Scholes option pricing model:

	September 30, 2018	December 31, 2017
Dividend rate	0%	0%
Annualized volatility	87%	89% to 90%
Risk free interest rate	2.08%	1.51% to 1.70%
Expected life of stock options (years)	5	1 to 5
Weighted average fair value of options granted	\$ 0.2479	\$ 0.1856

At September 30, 2018, the Company has 7,100,000 outstanding stock options enabling holders to acquire common shares as follows:

	Exercise price	Number of stock options outstanding	Weighted average number of years to expiry
Expiring October 23, 2018	\$ 0.32	650,000	0.06
Expiring January 23, 2019	\$ 0.25	275,000	0.32
Expiring November 28, 2021	\$ 0.25	2,600,000	3.16
Expiring August 18, 2022	\$ 0.35	1,000,000	3.88
Expiring January 31, 2023	\$ 0.36	2,575,000	4.34
		7,100,000	3.30

e) Warrants

Share purchase warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2016	20,157,010	\$ 0.20
Granted	9,474,507	-
Exercised	(4,515,710)	0.20
Expired	(25,000)	0.20
Balance, December 31, 2017	25,090,807	\$ 0.20
Granted	1,863,557	0.48
Exercised	(3,477,800)	0.20
Balance, September 30, 2018	23,476,564	\$ 0.32

At September 30, 2018, the Company has 23,476,564 outstanding warrants enabling holders to acquire common shares as follows:

	Exercise price	Number of warrants outstanding	Weighted average number of years to expiry
Expiring November 27, 2018	\$ 0.45	9,474,507	0.16
Expiring December 2, 2018	\$ 0.20	10,175,760	0.17
Expiring December 29, 2018	\$ 0.20	1,962,740	0.25
Expiring May 11, 2019	\$ 0.48	1,863,557	0.61
		23,476,564	0.21

During the nine months ended September 30, 2018, the Company received gross proceeds of \$696,891 and issued 3,477,800 common shares upon the exercise of 3,477,800 share purchase warrants priced at \$0.20.

On May 30, 2018, the Company closed a non-brokered private placement, issuing 1,726,982 warrants. Each full Warrant entitles the holder to purchase one Common Share of the Company for a period of twelve months from the closing of the Offering at an exercise price of \$0.48. 136,575 Finder's Warrants were also issued in connection with the private placement. Each Finder's Warrant entitles the holder to purchase one common share at a price of \$0.48 for a period of twelve months.

f) Share subscriptions received in advance

During the year ended December 31, 2017, the Company received \$200,000 for the exercise of 1,000,000 warrants priced at \$0.20. The 1,000,000 common shares were issued subsequent to December 31, 2017.

7. Related Party Transactions and Key Management Compensation

The Company's related parties at September 30, 2018 consist of 8 officers and directors (and their related companies), as follows:

Name of Related Party	Position at Sept 30, 2018	Nature of transaction
Allan J. Fabbro	Director	Director
Fengjie Huang	Director (Zambian subsidiary)	Geological consulting
Mathew Mackenzie	Secretary	Corporate secretary
Richard J. Mazur	Director	Director
Wayne Moorhouse	CFO	Management services
Brett Richards / Richards Enterprises Inc.	President, CEO & director	Management services
Robert A. Sibthorpe / 069426 BC Ltd	VP Exploration & director	Management services
Tom Ye	Director	Geological services

Compensation paid or accrued to key management and/or their related companies during the three and nine months ended September 30, 2018 and 2017 was as follows:

Nature of expenditure	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Exploration and evaluation assets expenditures				
Field expenses	-	-	-	60,909
Wages and benefits	6,240	6,000	18,720	18,000
Consulting fees	42,821	-	112,123	-
Share-based payments	224,297	-	390,411	-
	\$ 273,358	\$ 6,000	\$ 521,254	\$ 78,909

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 September 30, 2018, \$114,694 (December 31, 2017 - \$282,530) is due to officers, directors or companies with a director in common for cash advances, unpaid geological consulting fees, unpaid wages and bonuses and unpaid expenses.

8. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At September 30, 2018 and December 31, 2017, the Company's exploration and evaluation assets are located in one geographic location: Zambia, Africa.

9. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of its exploration and evaluation assets and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. Further information relating to liquidity risk is disclosed in note 4.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The budgets are approved by the Board of Directors.

10. Events after reporting date

Termination of Letter of Intent and Term Sheet

On October 1, 2018, the Company announced the termination of the previously announced letter of intent and term sheet with Kam Chuen Resource Holdings Inc. to acquire the remaining 40% interest in Zambian High Light Mining Investment Limited (news release dated February 20, 2018). Midnight Sun and Kam Chuen will continue to operate as partners in ZHLMIL with Midnight Sun holding a 60% interest and Kam Chuen holding a 40% interest as contemplated in the original property Option.

Appointment of Chief Operating Officer

On October 3, 2018, the Company announced the appointment of Wayne Moorhouse as Chief Operating Officer ("COO") with immediate effect. In the newly created COO position, he is responsible for the efficient advancement of the Solwezi copper-cobalt property located in Zambia through the design, implementation and oversight of the Company's business operations.

Private Placement

On October 17, 2018, the Company announced a non-brokered private placement of 8,333,334 units (the "Units") at a price of \$0.12 per Unit for gross proceeds of \$1,000,000 (the "Offering"). Each Unit will consist of one common share in the capital of the Company and one common share purchase warrant ("Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company for a period of twelve months from the closing of the Offering at an exercise price of \$0.20.

The net proceeds of the Offering will be used by the Company to fund exploration work on its Zambian mineral properties as well as general working capital.

The Offering, including the future issuance of the Common Shares and Warrants, is subject to the final approval of the TSX Venture Exchange. All securities issued will be subject to a hold period of four months and one day pursuant to applicable securities laws.

On October 31, 2018, the Company announced the completion of the first tranche of the private placement by issuing 4,458,000 Units for gross proceeds of \$534,960. The Company has agreed to pay finder's fees of \$26,236.80 in cash and 218,640 finder's warrants in connection with this tranche of the Private Placement. Each finder's warrant will entitle the holder to purchase one common share at a price of \$0.20 for a period of twelve months, expiring on October 31, 2019.

Investor Relations Extension

On October 31, 2018, the Company extended the previously announced investor relations agreement with Kaye Wynn Consulting Inc. ("Kaye Wynn") for an additional 12 months at a rate of \$1,500 per month. The Company granted Kaye Wynn stock options to purchase 350,000 common shares at \$0.25 for a period of one year. The stock options vest in accordance with TSX Venture Exchange policies relating to the granting and vesting of Investor Relations Stock Options. The options were granted pursuant to the Company's Stock Option Plan and the contract may be cancelled by either party with 30 days' notice.

Amendment of Warrant Terms

On October 23, 2018, the Company announced the extension of the expiry date of all outstanding common share purchase warrants issued pursuant to private placement offerings of the Company as follows:

Number of Warrants	Price	Original Expiry	New Expiration Date
5,982,000	\$0.20	Oct. 28, 2018	April 29, 2019
3,800,000	\$0.20	Dec. 2, 2018	June 3, 2019
1,935,000	\$0.20	Dec. 29, 2018	July 1, 2019
9,002,708	\$0.45	Nov. 27, 2018	Nov. 27, 2019
685,782	\$0.48	May 11, 2019	May 11, 2020
1,041,200	\$0.48	May 30, 2019	May 30, 2020