



MIDNIGHT SUN

Midnight Sun Mining Corp.

Consolidated Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Midnight Sun Mining Corp.

We have audited the accompanying consolidated financial statements of Midnight Sun Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Midnight Sun Mining Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Midnight Sun Mining Corp. to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 23, 2018

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Midnight Sun Mining Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at

	December 31, 2017	December 31, 2016
ASSETS		
Current		
Cash	\$ 1,528,810	\$ 698,149
Advances and deposits	58,157	314
Subscriptions receivable (note 6)	-	84,000
Receivables	12,430	7,663
	1,599,397	790,126
Exploration and evaluation assets (note 5)	7,801,518	1,932,909
	\$ 9,400,915	\$ 2,723,035
LIABILITIES and SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 117,598	\$ 523,065
Due to related parties (note 7)	282,530	2,657
	400,128	525,722
Shareholders' equity		
Share subscriptions received in advance (note 6)	200,000	-
Share capital (note 6)	13,393,819	6,117,335
Reserves - options (note 6)	728,496	532,694
Reserves - warrants (note 6)	92,070	69,577
Deficit	(5,413,598)	(4,522,293)
	9,000,787	2,197,313
	\$ 9,400,915	\$ 2,723,035

Nature of operations (note 1)

Basis of presentation (note 2)

Subsequent events (note 11)

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

Approved and authorized by the Board of Directors on April 23, 2018:

"Robert Sibthorpe"

Robert Sibthorpe, Director

"Allan Fabbro"

Allan Fabbro, Director

Midnight Sun Mining Corp.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended December 31,	
	2017	2016
Expenses		
Accounting and audit fees	\$ 40,185	\$ 35,620
Consulting fees (note 7)	104,209	3,000
Investor and shareholder relations	93,003	88,123
Legal fees	24,959	1,877
Office services and miscellaneous	68,379	42,507
Regulatory and transfer agent fees	19,824	11,905
Share-based payments (note 6)	240,475	182,920
Travel and accommodation	30,275	978
Wages and benefits (note 7)	260,926	38,482
	(882,235)	(405,412)
Foreign exchange loss	(9,471)	(475)
Interest income (expense)	401	(1,122)
Loss and comprehensive loss for the year	\$ (891,305)	\$ (407,009)
Loss per share		
Basic and diluted	\$ (0.01)	\$ (0.01)
Weighted Average Number of Common Shares		
Outstanding		
Basic and diluted	60,642,567	34,005,521

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

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

	Share capital		Share	Reserves -	Reserves -	Deficit	Total shareholders' equity
	Shares	Amount	subscriptions received in advance	Warrants	Options		
Balance - December 31, 2015	28,817,266	\$ 4,540,348	\$ 87,000	\$ 7,092	\$ 349,774	\$ (4,115,284)	\$ 868,930
Units issued for cash for private placement	16,727,000	1,713,700	(87,000)	-	-	-	1,626,700
Share issuance costs	-	(136,713)	-	62,485	-	-	(74,228)
Share-based payments	-	-	-	-	182,920	-	182,920
Loss for the year	-	-	-	-	-	(407,009)	(407,009)
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 warrants	3,515,710	704,569	200,000	(1,427)	-	-	903,142
Shares issued for cash for exercise of options	350,000	132,173	-	-	(44,673)	-	87,500
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	-	-	-	-	240,475	-	240,475
Shares issued for exploration and evaluation assets	14,000,000	3,920,000	-	-	-	-	3,920,000
Loss for the year	-	-	-	-	-	(891,305)	(891,305)
Balance - December 31, 2017	72,412,684	\$ 13,393,819	\$ 200,000	\$ 92,070	\$ 728,496	\$ (5,413,598)	\$ 9,000,787

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

Midnight Sun Mining Corp.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended December 31,	
	2017	2016
Operating activities		
Loss for the year	\$ (891,305)	\$ (407,009)
Items not affecting cash:		
Share-based payments	240,475	182,920
Changes in non-cash working capital		
Accounts payable and accrued liabilities	(9,283)	(64,141)
Due to related parties	259,275	(12,846)
Accounts receivable	(4,767)	2,969
Advances and deposits	(57,843)	49,024
	(463,448)	(249,083)
Investing activities		
Exploration and evaluation assets expenditures	(2,324,195)	(521,240)
	(2,324,195)	(521,240)
Financing activities		
Proceeds from issuances of units and shares	3,575,454	1,542,701
Proceeds from share subscriptions received in advance	200,000	-
Share issuance costs	(157,150)	(74,229)
	3,618,304	1,468,472
Net change in cash	830,661	698,149
Cash, beginning of year	698,149	-
Cash, end of year	\$ 1,528,810	\$ 698,149

SUPPLEMENTAL NON-CASH DISCLOSURES

Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ 58,595	\$ 454,779
Valuation of finders' warrants included in share issuance cost	\$ 23,920	\$ -
Shares issued for the acquisition of exploration and evaluation assets	\$ 3,920,000	\$ -
Exploration and evaluation assets included in due to related parties	\$ 20,508	\$ (90)

Midnight Sun Mining Corp.
Consolidated Schedule of Exploration and Evaluation Assets
(Expressed in Canadian Dollars)
December 31, 2017

		Solwezi
Balance, December 31, 2015	\$	1,121,617
Acquisition costs (note 5)		(8,671)
Exploration expenditures (note 5)		819,963
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

The accompanying notes are an integral part of these consolidated 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 considered to be in the exploration stage and substantially all of 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 1125, 595 Howe Street, Vancouver, BC.

2. Basis of Presentation

a) Statement of compliance

These 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). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these consolidated financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors on April 23, 2018.

b) Going concern

These consolidated 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 consolidated 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 years ended December 31, 2017 and December 31, 2016, 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 December 31, 2017, the Company has an accumulated deficit of \$5,413,598 (December 31, 2016 - \$4,522,293) and has working capital of \$1,199,269 (December 31, 2016 – working capital of \$264,404). Management has estimated that the Company will require additional financing in order to complete all planned exploration programs during the year ended December 31, 2017. 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 that 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 consolidated 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 consolidated 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 possess power over an investee, has exposure to variable returns from the investee and has 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 consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting.

f) Estimates and judgments

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

a) Exploration and evaluation assets

All costs related to the acquisition, exploration and evaluation of mineral resource interests are capitalized by project. Costs incurred before the Company has obtained legal rights to explore an area are recognized in the statement of operations and comprehensive loss. The Company recognizes the payment or receipt of amounts required under option agreements as an addition or reduction, respectively, in the book value of the property under option when paid or received.

Development expenditures incurred subsequent to a determination of the feasibility of mining operations and to increase or to extend the life of existing production, are capitalized and will be amortized using the unit-of-production method based upon estimated proven and probable reserves. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

The amounts shown for exploration and evaluation assets represent costs incurred to date, less recoveries, and do not necessarily reflect present or future values. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects as well as future profitable production or proceeds from the disposition thereof.

At the end of each reporting period, the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Ownership in exploration and evaluation assets involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets.

b) Share capital

Common shares issued are classified as equity. Incremental costs directly attributable to the

issuance of common shares are recognized as a deduction from equity. Common shares issued for consideration other than cash are valued based on their market value at the date of the share issuance.

As part of its private placements, the Company has issued warrants and finder's warrants. Any warrants that expire or are exercised during the year are transferred back to share capital, if originally determined to have a value. The Company values warrants as part of a private placement offering under the residual value approach. Finder's warrants are valued using the Black-Scholes option pricing model.

c) Loss per share

The Company computes the dilutive effect of options, warrants and similar instruments on loss per common share from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

d) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in reserves is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based payments previously recorded in reserves. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Where equity instruments are issued to non-employees and some or all of the goods and services received by the Company as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise share-based payments are measured at the fair value of the goods and services received. On expiry or cancellation, the value of stock options remains in reserves.

e) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

f) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the production assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is amortized on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

As at December 31, 2017 and 2016, the Company had no provisions for environmental rehabilitation.

g) Financial instruments

i. Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any

changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

ii. Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

iii. Classification

The Company's cash, deposits, and receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

h) New accounting standards

These new standards, and these amendments to standards are not yet effective as of January 1, 2017 and have not been applied in preparing these consolidated financial statements. These new standards and these amendments are not expected to have a material effect on the consolidated financial statements of the Company. The Company intends to adopt the following standard and amendments when they become effective:

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 Company does not anticipate the amendment will have a material impact on the Company's consolidated 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 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 consolidated financial statements.

This standard is effective for annual periods beginning on or after January 1, 2018.

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 Company does not anticipate the standard to have a material impact on the Company's consolidated financial statements.

iv. 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 consolidated 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 December 31, 2017 and December 31, 2016 to interest rate risk through its financial instruments.

c) Currency risk

Throughout the years ended December 31, 2017 and December 31, 2016, 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 denominated in US Dollars. A 1% change in the foreign exchange rate between the Canadian and US Dollar would result in a fluctuation of \$3,816 on the net loss for the year.

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 \$326,196 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 Federal 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 December 31, 2017, the Company had \$1,528,810 cash (December 31, 2016 – \$698,149) and current liabilities of \$400,128 (December 31, 2016 - \$525,722). 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 Agreement") 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 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 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).

After earning a 60% interest, the Company has the exclusive right to purchase an additional 20% interest in the properties.

As at December 31, 2017 and December 31, 2016, the Company had funded the following exploration expenditures on the Solwezi Licenses:

	December 31, 2017	December 31, 2016
Site and project expenditures		
Acquisition costs	\$ 4,136,678	\$ 216,678
Assays	225,567	124,701
Drilling	2,067,589	1,044,780
Field expenses	364,738	166,587
General and administrative	3,938	1,726
Geological consulting	555,610	260,484
License	168,953	-
Travel and accomodation	278,445	117,953
Total operations funded	\$ 7,801,518	\$ 1,932,909

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 Agreement 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 agreement with Kam Chuen, the Company is entitled to charge a 10% operator fee, which is to be included in calculating the total work expenditures. This operator fee effectively reduces the required work expenditures to be directly funded by the Company.

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.

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 Agreement 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.

2016 share issuances

On January 29, 2016, the Company completed the third and final tranche of its previously announced 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.

In total, the Company issued 6,901,250 units for gross proceeds of \$690,125. Finder's fees of \$13,400 were paid in cash and 134,000 Broker's Warrants valued at \$11,055 were issued in connection with the Private Placement. Each Broker's Warrant entitles the holder to purchase one common share at a price of \$0.20 for a period of 24 months, expiring on January 29, 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 0.42%; an expected volatility of 147%; an expected life of 2 years; a forfeiture rate of 0%; and an expected dividend of 0%.

On December 2, 2016, the Company closed a non-brokered private placement by issuing 10,632,000 units at a price of \$0.10 per unit for gross proceeds of \$1,063,200. 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.

Finder's fees of \$44,256 were paid in cash and 402,560 Finder's Warrants valued at \$47,096 were issued in connection with the Private Placement. Each Finder's Warrant entitles the holder to purchase one common share at a price of \$0.20 for a period of twenty-four months, expiring on December 2, 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 0.70%; an expected volatility of 150%; an expected life of 2 years; a forfeiture rate of 0%; and an expected dividend of 0%.

On December 29, 2016, the Company completed a non-brokered private placement by issuing 2,050,000 units at a price of \$0.12 per unit for gross proceeds of \$246,000. 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. Subscription proceeds of \$84,000 were not deposited prior to year-end and have been recorded as subscriptions receivable.

Finder's fees of \$4,464 were paid in cash and 37,200 Finder's Warrants valued at \$4,334 were issued in connection with the private placement. Each Finder's Warrant entitles the holder to purchase one common share at a price of \$0.20 for a period of twenty-four months, expiring on December 29, 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 0.78%; an expected volatility of 150%; an expected life of 2 years; a forfeiture rate of 0%; and an expected dividend of 0%.

c) Escrow shares

At 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, 2015	1,425,000	\$ 0.25
Granted	2,950,000	0.25
Expired/Cancelled	(500,000)	0.25
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
Exercisable	3,975,000	\$ 0.27

On November 28, 2016, Midnight Sun granted stock options to purchase an aggregate of 2,600,000 Common Shares of the Company, at an exercise price of \$0.25 per share to Company officers, directors and advisors. The fair value of the options was estimated at \$180,662 using the Black-Scholes option pricing model, based on a volatility of 89%, risk-free interest rate of 1.23%, no dividend and an expected life of 5 years. The options vested on grant and expire on November 28, 2021.

On November 28, 2016, the Company granted stock options to purchase an aggregate of 350,000 Common Shares at \$0.25 for a period of one year to the Company's Investor Relations consultant. The stock options shall vest in tranches of 87,500 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 \$0.0363 per option. This calculation was done using the Black-Scholes option pricing model, based on a volatility of 116%, risk-free interest rate of 1.23%, no dividend and an expected life of 1 year.

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 \$220,455 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 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 \$20,020 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 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.

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

	December 31, 2017	December 31, 2016
Dividend rate	0%	0%
Annualized volatility	89% to 90%	89% to 116%
Risk free interest rate	1.51% to 1.70%	1.23%
Expected life of stock options (years)	1 to 5	1 to 5
Weighted average fair value of options granted	\$ 0.1856	\$ 0.0742
Forfeiture rate	10%	10%

At December 31, 2017, the Company has 4,625,000 outstanding stock options enabling holders to acquire common shares as follows:

	Exercise price	Number of stock options outstanding	Number of stock options exercisable	Weighted average number of years to expiry
Expiring October 23, 2018	\$ 0.32	650,000	-	0.81
Expiring April 5, 2018	\$ 0.155	100,000 *	100,000	0.26
Expiring January 23, 2019	\$ 0.25	275,000	275,000	1.06
Expiring November 28, 2021	\$ 0.25	2,600,000	2,600,000	3.91
Expiring August 18, 2022	\$ 0.35	1,000,000	1,000,000	4.63
		4,625,000	3,975,000	3.57

* Exercised subsequent to year-end.

e) Warrants

Share purchase warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2015	5,596,250	\$ 0.25
Granted	17,300,760	0.20
Expired	(2,740,000)	0.30
Balance, December 31, 2016	20,157,010	\$ 0.20
Granted	9,474,507	0.45
Exercised	(4,515,710) *	0.20
Expired	(25,000)	0.20
Balance, December 31, 2017	25,090,807	\$ 0.29

* Includes 1,000,000 warrants in which the shares were issued subsequent to year-end.

At December 31, 2017, the Company has 25,090,807 outstanding warrants enabling holders to acquire common shares as follows:

	Exercise price	Number of warrants outstanding	Weighted average number of years to expiry
Expiring January 29, 2018	\$ 0.20	3,179,000 *	0.08
Expiring November 27, 2018	\$ 0.45	9,474,507	0.91
Expiring December 2, 2018	\$ 0.20	10,434,560	0.92
Expiring December 29, 2018	\$ 0.20	2,002,740 **	0.99
		25,090,807	0.81

* Subsequent to year-end, 3,179,000 warrants were exercised.

** Subsequent to year-end 40,000 warrants were exercised

During the year ended December 31, 2017, 4,515,710 warrants were exercised at a price of \$0.20.

f) Share subscriptions received in advance

During the year ended December 31, 2015, the Company opened the third tranche of a non-brokered private placement at a price of \$0.10 per Unit. Each Unit consisting of one common share ("Common Share") in the capital of the Company and one transferable Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share of the Company for a period of twenty-four months from the closing date, at an exercise price of \$0.20. Proceeds of \$87,000 from the third tranche of the non-brokered private placement was received during the year ended December 31, 2015 and was therefore designated as share subscriptions received in advance. The third tranche of the private placement closed during the year ended December 31, 2016.

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 December 31, 2017 consist of 8 officers and directors (and their related companies), as follows:

Name of Related Party	Position at Dec. 31, 2017	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	Director

Compensation paid or accrued to key management and/or their related companies during the years ended December 31, 2017 and 2016 was as follows:

Nature of expenditure	Years ended December 31,	
	2017	2016
Exploration and evaluation assets expenditures		
Geological consulting	\$ 105,900	\$ 26,179
Field expenses	12,344	-
Wages and benefits	219,960	24,000
Consulting fees	61,806	-
Share-based payments	220,455	165,332
	\$ 620,465	\$ 215,511

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, 2017, \$282,530 (December 31, 2016 - \$2,657) 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 December 31, 2017 and December 31, 2016, 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 makes adjustments to 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. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended December 31,	
	2017	2016
Loss for the year	\$ (891,305)	\$ (407,009)
Expected income tax (recovery)	\$ (232,000)	\$ (106,000)
Change in statutory, foreign tax, foreign exchange rates and other	(32,000)	(3,000)
Permanent difference	57,000	41,000
Share issue cost	(41,000)	(19,000)
Change in unrecognized deductible temporary differences	248,000	87,000
Total income tax expense (recovery)	\$ -	\$ -
Current income tax	\$ -	\$ -
Deferred tax recovery	\$ -	\$ -

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	Year ended December 31,		Expiry Date
	2017	2016	Range
Temporary Differences			
Exploration and evaluation assets	\$ 205,000	\$ 213,000	No expiry date
Canadian eligible capital (CEC)	-	1,000	No expiry date
Share issue costs	172,000	68,000	2034-2037
Non-capital losses available for future periods	2,907,000	2,181,000	2026-2037

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. Subsequent events

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 ZHLMI (the "Purchased Shares") by paying Kam Chuen \$30,000,000. Midnight Sun has the option to acquire 100% equity ownership of ZHLMIL and the Solwezi Licences subject to a 2% net smelter returns royalty on the Solwezi Licences payable to Kam Chuen by making the following payments:

- a) \$1,000,000 on the latter of (i) June 30, 2018 and (ii) the date that is two business days following the day on which the last of the conditions of closing are met;
- b) \$1,000,000 on or before December 31, 2018;
- c) \$2,000,000 on or before June 30, 2019;
- d) \$3,000,000 on or before December 31, 2019
- e) \$8,000,000 on or before December 31, 2020; and
- f) \$15,000,000 on or before December 31, 2021.

As security for the deferred consideration payments, a portion of the Purchased Shares will be placed in escrow by Midnight Sun and will be held as security in favour of Kam Chuen. A proportionate amount of the Purchased Shares will be released to MMA as the deferred payments are satisfied. In the event of a payment default by MMA, the escrowed Purchased Shares will represent the sole and absolute recourse of Kam Chuen. As part of the definitive documents for the Acquisition, the Company and Kam Chuen will enter into a shareholder and governance agreement for ZHLMIL, which will become the governing agreement in the event of any reacquisition of the Purchased Shares by Kam Chuen following any default by Midnight Sun.

Subsequent to December 31, 2017, the Company received gross proceeds of \$643,800 and issued 3,219,000 common shares upon the exercise of 3,219,000 share purchase warrants priced at \$0.20 and 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 January 31, 2018, the Company announced that it had granted stock options to purchase an aggregate of 2,575,000 common shares of the Company, at an exercise price of \$0.36 per share, to certain employees, consultants and directors. The stock options are granted pursuant to Midnight Sun's 10% rolling stock option plan, are subject to vesting provisions, and shall expire 5 years from the date of grant.