



**MIDNIGHT SUN MINING CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

**As at November 29, 2019**

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## **1. INTRODUCTION**

The following management’s discussion and analysis (“MD&A”) of Midnight Sun Mining Corp. has been prepared as of November 29, 2019. This MD&A should be read in conjunction with the condensed consolidated interim financial statements (“Financial Statements”) of Midnight Sun Mining Corp. and the notes thereto for the three and nine-month periods ended September, 2019, which have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”). The Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. All figures are expressed in Canadian dollars unless otherwise indicated.

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

### **Description of Business**

Midnight Sun Mining Corp. (the “Company” or “Midnight Sun”) was incorporated on April 11, 2007 pursuant to the Business Corporations Act of British Columbia. The Company’s principal business activity is acquiring, exploring and evaluating mineral properties and joint venturing or developing these properties further or disposing of them when the evaluation is complete. At September 30, 2019, the Company was in the exploration stage of activity on its jointly held exploration licenses in Zambia, and the Financial Statements include the accounts of its subsidiaries Midnight Sun Mining Zambia Limited (“MSM Zambia”), a company incorporated on October 29, 2013 under the laws of Zambia as well as Midnight Sun One Co. and Midnight Sun Two Co., two companies incorporated in 2018 under the laws of the British Virgin Islands. The Company has consolidated the operations of MSM Zambia since its incorporation.

## **2. HIGHLIGHTS & SIGNIFICANT EVENTS**

### **Financial Highlights for the Nine-Month Period Ended September 30, 2019**

- At September 30, 2019, the Company reported total assets of \$11,394,008 consisting of current assets of \$174,839 and exploration and evaluation assets of \$11,219,169.
- On August 8, 2019, the Company completed a private placement for gross proceeds of \$332,800. The Company sold 2,773,334 units consisting of 2,773,334 shares and 2,773,334 share purchase warrants which enable the holder to purchase one common share in the Company at a price of \$0.20 at any time prior August 8, 2021. Finders’ fees of \$2,640 were paid in cash in conjunction with the placement. Each Finders’ Warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 prior to August 8, 2021.

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**Corporate Highlights for the Nine-Month Period Ended September 30, 2019**

- On March 4, 2019, the Company released the results of the initial interpretation of a 3,889 line-kilometre Versatile Time Domain Electromagnetic airborne geophysics (“VTEM”) survey conducted on the Solwezi exploration licenses. Analysis of information produced by the survey has expanded the potential at previously identified exploration targets and identified new exploration targets.

**Events Subsequent to September 30, 2019**

Subsequent to the period ended September 30, 2019:

- The Company extended the expiration on the following share purchase warrants:

<b>Number of Warrants</b>	<b>Price</b>	<b>Original Expiry</b>	<b>New Expiration Date</b>
4,458,000	\$0.20	October 31, 2019	October 31, 2020
2,575,000	\$0.20	November 30, 2019	November 30, 2020
1,301,000	\$0.20	December 18, 2019	December 18, 2020

- the Company’s earned 60% ownership of the Solwezi Licences has officially been transferred and registered in Zambia with the Patents and Companies Registration Agency. The licenses are held by a Zambian registered company, Zambian High Light Mining Investment Ltd., of which Midnight Sun is now a 60% shareholder through the Company’s wholly owned subsidiary, Midnight Sun (BVI) Two Corp. The acquisition will be accounted for as an asset acquisition.

### **3. EXPLORATION AND EVALUATION ASSETS**

**60% Option Agreement**

On July 30, 2013, the Company, entered into an option agreement (the “Option”) with Kam Chuen, to acquire a 60% interest in two mineral prospecting licenses 14039-HQ-LPL and 12124-HQ-LPL, the Solwezi Licences, which are held in a Kam Chuen subsidiary, Zambian High Light Mining Investment Limited (“ZMLMIL”). The TSXV approved the Option on December 6, 2013.

Under the final terms of the Option, to earn a 60% interest in the Solwezi Licences Midnight Sun:

- a) Issued a total of 15,333,333 common shares to Kam Chuen or its assigns with 1,333,333 shares issued following TSXV acceptance (issued February 14, 2014; valued at \$186,667) and 14,000,000 shares issued on February 15, 2017 (valued at \$3,920,000); and
- b) Incurred \$3,666,667 in qualifying expenditures on the Solwezi Licences prior to December 6, 2018 (\$4,031,324 incurred prior to December 31, 2017).

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Upon the Company fulfilling its share issuance and exploration expenditure requirements, per the Option terms, Kam Chuen transferred 60% ownership interest in ZHLMIL to Midnight Sun and Kam Chuen and Midnight Sun will enter into a joint venture agreement governing the exploration and development of the Solwezi Licenses. The Company and Kam Chuen are negotiating the joint venture and have initiated the ZHLMIL share transfer.

**Solwezi Licenses - Zambia**

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

On March 1, 2017, the Acting Chief Registrar of Mining Rights issued a new exploration license, 21509-HQ-LEL, covering the same ground and replacing the existing license 14039-HQ-LPL. 21059-HQ-LEL is in effect for an initial period of 4 years with the option for future renewals provided the license is maintained in accordance with the contained terms and the *Mines and Mineral Development Act, 2015*.

On November 30, 2018, 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, 2021. This renewal was granted in accordance with the *Mines and Mineral Development Act, 2015* and is the final renewal period available to ZHLMIL. If necessary, prior to the expiration of the license the Company and ZHLMIL will apply for a new license covering the same surface area as 12124-HQ-LEL. There is no guarantee a new license will be granted to the Company or an affiliated entity.

**Exploration Property - Expenditures**

As at September 30, 2019, the Company had funded the following expenditures on the Solwezi Licenses:

<b>Site and project expenditures</b>	<b>30-Sep-19</b>	<b>Additions</b>	<b>31-Dec-18</b>
Acquisition costs	\$ 4,136,678	\$ -	\$ 4,136,678
Assays	326,119	763	325,356
Diamond drilling	3,003,348	(39,978)	3,043,326
Equipment	2,910	(74,689)	77,599
Field expenses	1,180,446	(40,197)	1,220,643
General & administration	540,438	155,732	384,706
Geological consulting	1,071,116	30,788	1,040,328
License	240,219	4,666	235,553
Travel and accommodation	717,895	40,635	677,260
<b>Total operations funded</b>	<b>\$ 11,219,169</b>	<b>\$ 77,720</b>	<b>11,141,449</b>

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

	Solwezi	Total
<b>Balance, December 31, 2016</b>	<b>\$ 1,932,909</b>	<b>\$ 1,932,909</b>
Acquisition costs	3,920,000	3,920,000
Exploration expenditures	1,948,609	1,948,609
Total additions during year	5,868,609	5,868,609
<b>Balance, December 31, 2017</b>	<b>\$ 7,801,518</b>	<b>\$ 7,801,518</b>
Exploration expenditures	3,339,931	3,339,931
Total additions during year	3,339,931	3,339,931
<b>Balance, December 31, 2018</b>	<b>\$ 11,141,449</b>	<b>\$ 11,141,449</b>
Exploration expenditures	77,720	77,720
Total additions during period	77,720	77,720
<b>Balance, September 30, 2019</b>	<b>\$ 11,219,169</b>	<b>\$ 11,219,169</b>

**Exploration Property – Activities**

The main deposit types being targeted by exploration on the Solwezi Licences are; Stratiform-type deposits, a common model for many copper deposits within the Zambian Copperbelt, and Hydrothermal-type copper mineralization as found at the nearby Kinsanshi Mine.

Based on historical work, the Company identified six significant exploration targets on the Solwezi Licences. Since signing the Option work has focussed on the following four areas:

- *The 22 Zone* – a near surface oxide deposit with deep sulphide potential. Limited shallow drill testing returned a best intercept of 5.71% copper over 14.2 metres near surface.
- *Mitu* – an ore shale hosted copper-cobalt-nickel-gold target with significant size potential. Initial drilling in this area encountered significant copper/cobalt mineralization.
- *Dumbwa* – initial drilling on a 14-kilometre long soil anomaly has produced multiple copper-cobalt intercepts in the near surface oxides.
- *Kifumbwe* – a large nickel soil anomaly covering over 6 kilometres of identified strike.

The Company's recent exploration focus has been Mitu, where in October 2016 "ore shale style" base metal mineralization was discovered on the flank of the Solwezi Dome. Ore shale mineralization is the dominant type of copper-cobalt-nickel deposition in the Zambia-Congo Copperbelt, the largest copper producing area in the world. Mineralization associated with the shale units generally forms in physical "traps" between the contact of the Upper and Lower Roan geological units. This contact zone extends over 17 kilometres on the Solwezi Licences.

A 12-hole diamond drill program at Mitu in 2016 covered an area of 300 metres on strike and 400

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metres down dip. Shale units containing base metal sulphide mineralization were encountered at vertical depths of up to 170 metres. An additional 43 drill holes using air core drilling covered a strike length of approximately 1,200 metres.

During 2017, the Company continued work at Mitu with a program consisting initially of 37 line-kilometres of natural source audio magneto telluric (“NSAMT”) designed to establish the extent of the geophysical footprint of the ore shales. The geophysics were followed by 648 soil samples and 4,755 metres of shallow air core drilling in 119 holes to bedrock to establish that a conductive anomaly indicated by the geophysics correlated with the presence of ore-shale. This program tested 10 kilometres of the 17-kilometre contact area with encouraging results. The geophysics, sampling and air core drilling were followed up with a 15-hole, 4,062 metre, diamond drill program to test the grade, physical dimensions and consistency of mineralized ore shales.

During 2018, at Mitu, the Company conducted a 34 line-kilometre NSAMT survey, completed 10,424 metres of air core drilling and drilled 1,503 metres of diamond drilling. In addition, a 3,889-line kilometre VTEM survey covering the entirety of the Solwezi Licenses was conducted, new core storage and logging facilities were constructed, and all available core was relogged. In December of 2018 Midnight Sun received the raw data from the VTEM survey and in February of 2019, received the initial interpretations derived from the data. Based on the VTEM interpretation, the Company has identified 4 new target areas on the Solwezi Licenses and added to its understanding of the 6 previously identified target areas. Midnight Sun is developing priority drill targets at the 22 Zone, Mitu, and the newly identified Western Flank, as well as future drill targets on other areas of the Solwezi Licenses based on the results of the VTEM survey and other data.

Since optioning the Solwezi Licenses, Midnight Sun has reviewed all available data generated by the optionor and previous operators. The Company has directly carried out the following activities:

<b>Work</b>	<b>30-Sep-19</b>	<b>Additions</b>	<b>31-Dec-18</b>
Geochemical - sampling	5,928	-	5,928
Ground Geophysics – NSAMT	77.7 kms	-	77.7 kms
Airborne Geophysics -VTEM	3,889	-	3,889
Air Core drilling - metres	34,639	-	34,639
Air Core drilling - holes	835	-	835
RC drilling - metres	1,276	-	1,276
RC drilling - holes	15	-	15
Diamond drilling - metres	8,829	-	8,829
Diamond drilling - holes	57	-	57

Richard Mazur, P.Geo., Director of the Company, a Qualified Person under NI 43-101, has reviewed the information contained herein.

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**4. SUMMARY OF QUARTERLY RESULTS**

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

	Sept 30 2019 \$	June 30 2019 \$	March 31 2019 \$	December 31 2018 \$
<b>Financial results</b>				
Net loss for period	59,497	56,505	80,846	81,715
Basic & diluted loss per share	0.00	0.00	0.00	0.00
Exploration expenditures	60,670	(38,068)	55,118	(4,075)
<b>Statement of Financial Position</b>				
Cash	125,202	37,174	25,293	207,875
Exploration & evaluation assets	11,219,169	11,158,499	11,196,567	11,141,449
Total assets	11,394,008	11,254,299	11,304,930	11,455,602
Shareholders' equity	10,945,861	10,731,433	10,787,122	10,866,744

	Sept 30 2018 \$	June 30 2018 \$	March 31 2018 \$	December 31 2017 \$
<b>Financial results</b>				
Net loss for period	127,073	580,663	669,466	391,778
Basic & diluted loss per share	0.00	0.01	0.01	0.01
Exploration expenditures	\$544,541	\$2,331,198	\$468,267	\$35,247
<b>Statement of Financial Position</b>				
Cash	19,161	444,608	1,048,533	1,528,810
Exploration & evaluation assets	11,145,524	10,600,983	8,269,785	7,801,518
Total assets	11,362,970	11,045,591	9,641,794	9,400,915
Shareholders' equity	9,996,805	10,117,726	9,234,307	9,000,787

All exploration expenditures relate to work done on the Solwezi Licenses. Net losses for all periods reflect general and administrative costs including legal and accounting. Prior to January 1, 2018, Zambian operations were directed and managed from Canada. In January 2018, the Company added technical and support staff in Zambia and transferred most operational functions to MSM Zambia as the size and scope of the annual program in Zambia increased. The increased activity in MSM Zambia resulted in an initial increase in office, legal, accounting, administrative and staffing costs as reflected in the net losses for the quarters ended March 31 through September 30, 2018. During the quarter ended September 30, 2018 the Company reassessed its administrative processes and significantly reduced administrative costs in both Zambia and Canada. Company management continues to evaluate options to effectively manage costs in both Canada and Zambia while maintaining enough resources to oversee seasonal exploration programs, other property related work and administrative functions.

## **5. DISCUSSION OF OPERATIONS**

The following discussions address some of the reasons for variations in the quarterly numbers, but as is typical with junior exploration and mining companies there can be significant fluctuation from quarter to quarter. Quarterly results can vary greatly depending on whether the Company is in an active exploration phase or has granted stock options. Activity levels are primarily dependent on the success of the Company's ongoing exploration and evaluation work and the Company's ability to raise funds through equity issuances. The granting of stock options can cause a material variation in net loss on a quarterly basis due to the resulting share-based payment charges which can be significant.

### **Overall Performance & Results of Operations**

#### *Three Month Period Ended September 30, 2019*

The Company's loss for the three months ended September 30, 2019, was \$59,217, or \$0.00 per share, as compared to a loss of \$127,073, or \$0.00 per share for the three months ended September 30, 2018. The decrease was a result of cost cutting measures and lower activity levels in the current 2019 period.

Major expenses during the three-month period ended September 30, 2019 consisted of accounting and audit fees, \$14,202 (2018: \$8,448), consulting fees, \$3,004 (2018: \$38,910), investor and shareholder relations, \$7,620 (2018: \$12,254), legal fees, \$183 (2018: \$15,000), office services and miscellaneous expenses, \$18,016 (2018: \$22,567), regulatory and transfer agent fees, \$924 (2018: \$953), share-based payments, \$385 (2018: \$6,152), travel, \$nil (2018: \$2,609) and wages and benefits, \$14,883 (2018: \$14,375).

#### *Nine Month Period Ended September 30, 2019*

The Company's loss for the nine months ended September 30, 2019, was \$196,843, or \$0.00 per share, as compared to a loss of \$1,377,172, or \$0.02 per share for the nine months ended September 30, 2018. The decrease was primarily a result of cost cutting by MSM Zambia, decreased share-based payments, decreased investor relations activities, reduced reliance on consultants and employees and lower operating levels.

Major expenses during the nine-month period ended September 30, 2019 consisted of accounting and audit fees, \$35,934 (2018: \$35,884), consulting fees, \$3,004 (2018: \$226,141), investor and shareholder relations, \$32,326 (2018: \$171,141), legal fees, \$6,114 (2018: \$75,450), office services and miscellaneous expenses, \$57,819 (2018: \$92,978), regulatory and transfer agent fees, \$10,749 (2018: \$17,364), share-based payments, \$2,420 (2018: \$607,587), travel, \$nil (2018: \$9,695) and wages and benefits, \$43,475 (2018: \$134,845).

During the nine-month period ended September 30, 2019, \$75,087 in cash was used for operating activities and \$281,126 in cash was used for exploration and evaluation asset expenditures.

## **6. LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

As at September 30, 2019, the Company had \$125,202 in cash. The Company does not have cash flow from operations due to it being an exploration stage company; therefore, financings have been the sole source of funds. At September 30, 2019, the Company had working capital deficit of \$273,308 and an accumulated deficit of \$7,069,358. In the opinion of management this working capital is insufficient to support the Company's near term general administrative and corporate operating requirements on an on-going basis.

### **Liquidity Outlook**

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through the sale of equity, from the exercise of convertible securities and from optioning its exploration and evaluation assets. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to several factors, including the progress of exploration activities.

On August 8, 2019, the Company closed a non-brokered private placement for net proceeds of \$330,160. Management is encouraged by improving equity markets for mineral exploration programs and anticipates seeking additional sources of funding prior to the end of the fiscal year. Given volatility in equity markets, global economic uncertainty, cost pressures and results of exploration activities there can be no certainty equity funding will be available to the Company or if available funding will be on acceptable terms. Management believes it will be able to raise equity capital as required but recognizes that there will be risks which may be beyond its control.

### **Capital Resources**

The Company has insufficient capital to cover its administrative overhead expenses for the next twelve months. The Company does not currently have capital to fund all budgeted or planned exploration activities on the Solwezi Licenses during 2019. To continue exploring the Solwezi Licenses, Midnight Sun will be required to raise additional capital, and if capital is not available the Company will have to delay some planned exploration expenditures.

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## 7. TRANSACTIONS WITH RELATED PARTIES

The Company's related parties at September 30, 2019 consist of 8 officers and directors (and their related companies).

<b>Name of Related Party</b>	<b>Position at Sept 30, 2019</b>	<b>Nature of transaction</b>
Allan J. Fabbro	Director & Interim CEO	Director
Fengjie Huang	Director (Zambian subsidiary)	Management services
Mathew Mackenzie	Secretary	Corporate secretary
Richard J. Mazur	Director	Director
Wayne Moorhouse	CFO & COO	Management services
Brett Richards/Richards Enterprises Inc.	Director	Director
Robert A. Sibthorpe / 069426 BC Ltd	VP Exploration & Director	Management services
Tom Ye	Director	Director

As at September 30, 2019, \$18,720 (December 31, 2018 - \$2,085) 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. Included in share subscriptions receivable is \$54,000 due from a director and officer of the Company.

## 8. KEY MANAGEMENT COMPENSATION

Compensation paid or accrued to key management and/or their related companies during the three-month periods ended September 30, 2019 and 2018 is as follow

<b>Nature of Expenditure</b>	<b>3 Months ended Sept 30,</b>		<b>9 Months ended Sept 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Wages and benefits	\$6,240	\$6,240	\$18,720	\$18,720
Consulting fees	-	\$42,821	-	\$112,123
Share-based payments	-	\$224,297	-	\$390,411
<b>Total</b>	<b>\$6,240</b>	<b>\$273,358</b>	<b>\$18,720</b>	<b>\$521,254</b>

Key management consists of those individuals having authority and responsibility for, directly or indirectly, planning, directing, and controlling the activities of the Company. Wages are paid to the Company's Corporate Secretary, Consulting fees are amounts paid to the Company's former CEO and share-based payments reflect the stock option expense for options granted to the Company's directors, CFO, Corporate Secretary and a director of ZHLML.

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

## 9. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## **10. PROPOSED TRANSACTIONS**

The Company does not currently have any proposed transactions other than the transactions discussed in this MD&A; however, the Company will continue to review potential property acquisitions in addition to conducting exploration work on its properties.

## **11. CHANGES IN ACCOUNTING POLICY**

Please see note 3 in the Financial Statements.

## **12. FINANCIAL INSTRUMENTS AND RELATED RISKS**

The Board, through the Audit Committee, is responsible for identifying the principal risks facing the Company and ensuring that appropriate risk management systems are developed and implemented. The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk and credit risk in accordance with its risk management framework.

### **Financial Instruments**

#### *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.

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- *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.

*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.

*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.

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.

**Related Risks**

*Interest rate risk*

The Company has non-material exposure at September 30, 2019 and December 31, 2018 to interest rate risk through its financial instruments.

*Currency Risk*

As at September 30, 2019 and December 31, 2018, the majority of the Company's cash was held in Canadian dollars, the Company's functional and reporting currency. The Company is exposed to currency risk due to accounts payable in US Dollars. A 1% change in the foreign exchange rate between the Canadian and US Dollar would result in a fluctuation of \$228 on the net loss for the period.

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*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 \$52,578 held with a major financial institution in Zambia. Management believes the risk of loss to be remote.

*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, 2019, the Company had \$125,202 cash (December 31, 2018 – \$207,875) and current liabilities of \$448,147 (December 31, 2018 - \$588,858). 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.

*Finance Risk*

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

### **13. RISKS AND UNCERTAINTIES**

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

For more information of the risks and uncertainties to which the Company may be subject please refer to the Company's MD&A for the financial year ended December 31, 2018.

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## 14. NATURE OF SECURITIES

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

## 15. DISCLOSURE OF OUTSTANDING SHARE DATA

The table below presents the Company's common share data as of November 29, 2019.

	Price	Expiry date	Nov 29, 2019
Common shares issued and outstanding			<b>91,551,781</b>
Securities convertible into common shares:			
Stock Options	\$0.25	November 28, 2021	2,600,000
	\$0.35	August 18, 2022	1,000,000
	\$0.36	January 31, 2023	2,325,000
<b>Total Options</b>			<b>5,925,000</b>
Warrants	\$0.20	October 31, 2020	4,458,000
	\$0.20	November 30, 2020	2,575,000
	\$0.20	December 18, 2020	1,301,000
	\$0.48	May 11, 2020	685,782
	\$0.48	May 30, 2020	1,041,200
	\$0.20	August 8, 2021	2,773,334
<b>Total Warrants</b>			<b>12,834,316</b>
<b>Total options &amp; warrants</b>			<b>18,759,316</b>

## 16. COMMITMENTS

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

## 17. ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS

Additional disclosure concerning Midnight Sun's general and administrative expenses and exploration and evaluation assets expenditures is provided in the Company's Financial Statements. These Financial Statements are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## 18. APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the

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annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of Midnight Sun has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

## **19. FORWARD LOOKING INFORMATION**

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **20. ADDITIONAL INFORMATION**

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com).