



Midnight Sun Mining Corp.

Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Review of Condensed Interim Consolidated Financial Statements

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

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

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

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

As At	September 30, 2019	December 31, 2018
ASSETS		
Current		
Cash	\$ 125,202	\$ 207,875
Advances and deposits	21,545	76,358
Receivables	28,092	29,920
	174,839	314,153
Exploration and evaluation assets (note 5)	11,219,169	11,141,449
Total Assets	\$ 11,394,008	\$ 11,455,602
LIABILITIES and SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 429,427	\$ 586,773
Due to related parties (note 7)	18,720	2,085
Total Liabilities	448,147	588,858
Shareholders' Equity		
Share capital	16,617,704	16,317,898
Reserves – options (note 6)	1,329,587	1,327,167
Reserves – warrants (note 6)	121,928	94,194
Subscriptions receivable (note 6)	(54,000)	-
Deficit	(7,069,358)	(6,872,515)
	10,945,861	10,866,744
Total Liabilities and Shareholders' Equity	\$ 11,394,008	\$ 11,455,602

Nature of operations (note 1)
Basis of presentation (note 2)
Events after reporting date (note 10)

Approved and authorized by the Board of Directors on November 29, 2019:

“Robert Sibthorpe”
Robert Sibthorpe, Director

“Allan Fabbro”
Allan Fabbro, Director

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Expenses				
Accounting and audit fees	\$ 14,202	\$ 8,448	\$ 35,934	\$ 35,884
Consulting fees (note 7)	3,004	38,910	3,004	226,141
Investor and shareholder relations	7,620	12,254	32,326	171,141
Legal fees	183	15,000	6,114	75,450
Office services and miscellaneous	18,016	22,567	57,819	92,978
Regulatory and transfer agent fees	924	953	10,749	17,364
Share-based payments (note 6)	385	6,152	2,420	607,587
Travel and accommodation	-	2,609	-	9,695
Wages and benefits (note 7)	14,883	14,375	43,475	134,845
	(59,217)	(121,268)	(191,841)	(1,371,085)
Foreign exchange loss	(280)	(5,805)	(5,002)	(6,087)
Loss and comprehensive loss for the period	\$ (59,497)	\$ (127,073)	\$ (196,843)	\$ (1,377,172)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	90,376,129	61,415,220	89,316,860	78,191,334

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

	Shares	Amount	Share subscriptions receivable	Share subscriptions received in advance	Reserves – warrants	Reserves – options	Deficit	Total shareholders' equity
Balance, December 31, 2017	72,412,684	\$ 13,393,819	\$ -	\$ 200,000	\$ 92,070	\$ 728,496	\$ (5,413,598)	\$ 9,000,787
Shares issued exercise of warrants	4,477,800	907,645	-	(200,000)	(12,085)	-	-	695,560
Shares issued exercise of options	100,000	28,500	-	-	-	(13,000)	-	15,500
Shares issued for private placement	3,453,963	1,105,268	-	-	-	-	-	1,105,268
Share issuance costs	-	(64,934)	-	-	14,209	-	-	(50,725)
Share-based payments	-	-	-	-	-	607,587	-	607,587
Loss for the period	-	-	-	-	-	-	(1,377,172)	(1,377,172)
Balance, September 30, 2018	80,444,447	15,370,298	-	-	94,194	1,323,083	(6,790,770)	9,996,805
Shares issued for private placement	8,334,000	1,000,080	-	-	-	-	-	1,000,080
Shares issuance costs	-	(52,480)	-	-	-	-	-	(52,480)
Share-based payments	-	-	-	-	-	4,084	-	4,084
Loss for the period	-	-	-	-	-	-	(81,745)	(81,745)
Balance, December 31, 2018	88,778,447	16,317,898	-	-	94,194	1,327,167	(6,872,515)	10,866,744
Shares issued for private placement	2,773,334	305,066	(54,000)	-	27,734	-	-	278,800
Share issuance costs	-	(5,260)	-	-	-	-	-	(5,260)
Share-based payments	-	-	-	-	-	2,420	-	2,420
Loss for the period	-	-	-	-	-	-	(196,843)	(196,843)
Balance, September 30, 2019	91,551,781	\$ 16,617,704	\$ (54,000)	\$ -	\$ 121,928	\$ 1,329,587	\$ (7,069,358)	\$ 10,945,861

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

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

For the nine-month period ended September 30,	2019	2018
Operating activities		
Loss for the period	\$ (196,843)	\$ (1,377,172)
Items not affecting cash:		
Share-based payments	2,420	607,587
Changes in non-cash working capital items		
Accounts payable and accrued liabilities	46,060	(190,810)
Due to related parties	16,635	8,401
Accounts receivable	1,828	(69,574)
Advances and deposits	54,813	(58,125)
	(75,087)	(1,079,693)
Investing activities		
Exploration and evaluation assets expenditures	(281,126)	(2,195,559)
	(281,126)	(2,195,559)
Financing activities		
Proceeds from issuances of units and shares	278,800	1,816,328
Shares issuance costs	(5,260)	(50,725)
	273,540	1,765,603
Net change in cash	(82,673)	(1,509,649)
Cash, beginning of period	207,875	1,528,810
Cash, end of period	\$ 125,202	\$ 19,161
SUPPLEMENTAL NON-CASH DISCLOSURES		
Valuation of finders' warrants included in share issuance cost	\$ -	\$ 14,209
Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ 292,006	\$ 1,187,206
Exploration and evaluation assets included in due to related parties	\$ -	\$ 75,380

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Midnight Sun Mining Corp.
Consolidated Schedule of Exploration and Evaluation Assets
(Expressed in Canadian Dollars)
(Unaudited)

	Solwezi
Balance, December 31, 2017	\$ 7,801,518
Acquisition costs (note 5)	-
Exploration expenditures (note 5)	3,339,931
	<hr/> 11,141,449
Balance, December 31, 2018	
Acquisition costs (note 5)	-
Exploration expenditures (note 5)	77,720
	<hr/>
Balance, September 30, 2019	<hr/> \$ 11,219,169 <hr/>

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

1. Nature of Operations

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

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

2. Basis of Presentation

a) Statement of compliance

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

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of November 29, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

These unaudited condensed consolidated interim financial statements were authorized by the Board of Directors on November 29, 2019.

b) Going concern

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

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

During the three and nine months ended September 30, 2019 and the year ended December 31, 2018, the Company experienced operating losses before income taxes and negative operating cash flows with the operations of the Company having been primarily funded by the issuance of

share capital. The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

As at September 30, 2019, the Company had an accumulated deficit of \$7,069,358 (December 31, 2018 - \$6,872,515) and had a working capital deficit of \$273,308 (December 31, 2018 – working capital deficit of \$274,705). Management has estimated that the Company will require additional financing to complete all planned exploration programs during the year ended December 31, 2019. Continued operations are dependent on the Company's ability to complete public equity financing, secure project debt financing or generate profitable operations in the future.

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

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

c) Consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. Midnight Sun Mining Zambia Limited ("MSM Zambia"), a company incorporated in 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 the incorporation of the subsidiary. Control exists when the Company possess power over an investee, has exposure to variable returns from the investee and the ability to use its power over the investee to affect its returns. All significant inter-company transactions have been eliminated upon consolidation.

d) Functional and presentation currency

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

e) Basis of measurement

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

f) Estimates and judgments

The preparation of these unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and

liabilities at the date of the unaudited condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

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

i. Asset carrying values and impairment charges

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

ii. Recognition of deferred taxes

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

iii. Share-based payments

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

iv. Provision for environmental rehabilitation

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

v. Asset acquisition

During fiscal 2017 the Company fulfilled all requirements to earn a 60% interest in the Solwezi property (note 5). The transfer of the 60% interest to the Company has not occurred to date and requires government approval. Management determined that the acquisition when it occurs will represent an acquisition of assets rather than a business combination because the

mineral properties were in the exploration and evaluation stage and had not demonstrated technical feasibility, economic viability or the ability to provide economic benefit. The Solwezi property does not have the workforce, resources and reserves, mine plan, or financial resources to meet the definition of a business for accounting purposes. The Company has made the judgment that government approval is required for the asset acquisition to be completed for accounting purposes as there is uncertainty surrounding timing and completion of this approval.

vi. Functional currency

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

3. New accounting standards

These new standards, and these amendments to standards are not yet effective as of January 1, 2019 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. These new standards and these amendments are not expected to have a material effect on the unaudited condensed consolidated interim financial statements of the Company. The Company intends to adopt the following amendments when they become effective:

IAS 1 – Presentation of financial statements

Amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2020. The Company does not anticipate a material impact on adoption of the amendments.

New accounting standards adopted

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. There was no material impact on adoption of IFRS 16.

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 as follows.

a) Fair value

The carrying value of receivables, accounts payable and accrued liabilities, and amounts due to related parties approximated their fair value because of the short-term nature of these instruments. Cash is measured using level 1 inputs of the fair value hierarchy.

b) Interest rate risk

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

c) Currency risk

Throughout the nine months ended September 30, 2019 and the year ended 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 denominated 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 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 \$52,578 held with a major financial institution in Zambia. Management believes the risk of loss to be remote.

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

e) Liquidity risk

The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at September 30, 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.

5. Exploration and Evaluation Assets

Solwezi property

On July 30, 2013, the Company, entered into an option agreement (the "Option") with Kam Chuen Resource Holdings Ltd. ("Kam Chuen"), to acquire a 60% interest in two mineral exploration licenses, 21509-HQ-LEL (formerly 14039-HQ-LPL) and 12124-HQ-LPL, (the "Solwezi Licenses"), which are held in a Kam Chuen subsidiary, Zambian High Light Mining Investment Limited ("ZHL MIL").

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 a total of \$3,666,667 in qualifying expenditures on the Solwezi Licenses prior to December 6, 2018 (\$4,031,324 incurred prior to December 31, 2017).

As at September 30, 2019 and December 31, 2018, the Company had funded the following exploration expenditures on the Solwezi Licenses:

	September 30, 2019	December 31, 2018
Site and project expenditures:		
Acquisition costs	\$ 4,136,678	\$ 4,136,678
Assays	326,119	325,356
Drilling	3,003,348	3,043,326
Equipment	2,910	77,599
Field expenses	1,180,446	1,220,643
General and administrative	540,438	384,706
Geological consulting	1,071,116	1,040,328
License	240,219	235,553
Travel and accommodation	717,895	677,260
Total operations funded	\$ 11,219,169	\$ 11,141,449

The Company incurred \$nil in acquisition costs during the 9 months ended September 30, 2019 (2018 - \$nil) and \$77,720 in exploration costs (2018 - \$3,344,006).

At December 31, 2017 the Company had fulfilled all requirements to earn the 60% interest in the Solwezi Licenses. Under the terms of the Option, upon the Company fulfilling its share issuance and exploration expenditure requirements, Kam Chuen will transfer 60% ownership interest in ZHL MIL to Midnight Sun and Kam Chuen and Midnight Sun will enter into a joint venture agreement governing the further exploration and development of the Solwezi Licenses. The Company and Kam Chuen are negotiating the final form of the joint venture and have initiated the process to transfer the ZHL MIL shares.

Pursuant to the Option with Kam Chuen, the Company is entitled to charge a 10% operator fee, which was included in calculating the total work expenditures under the Option, but not the exploration expenditures for reporting purposes.

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 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.

6. Share Capital and Reserves

a) Authorised

Unlimited number of common shares authorised, without par value.

b) Share issuances

At September 30, 2019, the Company had 91,551,781 common shares (December 31, 2018 – 88,778,447) issued and outstanding.

Private Placement

On August 8, 2019 the Company completed a non-brokered private placement by issuing 2,773,334 units at a price of \$0.12 per unit for gross proceeds of \$332,800. Each Unit consists of one common share in the capital of the Company and one 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. The Company recognized \$305,066 related to the units to share capital with the residual value of \$27,734 to reserves. As at September 30, 2019, \$54,000 remained receivable. All securities issued pursuant to this private placement, including the common shares underlying the warrants, are subject to a statutory hold period which expires on December 9, 2019. Finder's fees of \$2,640 were paid in cash in connection with the private placement. In connection with the closing of the placement, the Company incurred an addition \$2,620 in share issuance costs.

2018 share issuances

During the year ended December 31, 2018, the Company received gross proceeds of \$695,560 and issued 3,477,800 common shares upon the exercise of 3,477,800 share purchase warrants priced at \$0.20, resulting in \$1,331 transferred from reserves to share capital. On April 3, 2018, the Company received \$15,500 and issued 100,000 common shares upon the exercise of stock options priced at \$0.155, resulting in \$13,000 transferred from reserves to share capital.

On May 30, 2018, the Company closed a non-brokered private placement of 3,453,963 units at a price of \$0.32 per unit for gross proceeds of \$1,105,268. Each unit consists of one common share in the capital of the Company and one half of one common share purchase warrant. Each full warrant will entitle the holder to purchase one common share of the Company for a period of twelve months from the closing of the offering at an exercise price of \$0.48. The fair value of the warrants was estimated at \$0.0495 per warrant. This calculation was done using the Black-Scholes pricing model, based on a volatility of 75%, risk-free interest rate of 2.09%, no dividend, and an expected life of 1 year.

Finder's fees of \$46,200 were paid in cash and 136,575 Finder's Warrants were issued in connection with the private placement. Each Finder's Warrant will entitle the holder to purchase one common share at a price of \$0.48 prior to May 30, 2019. The fair value of the warrants was estimated at \$0.0495 per warrant. This calculation was done using the Black-Scholes pricing

model, based on a volatility of 75%, risk-free interest rate of 2.09%, no dividend, and an expected life of 1 year.

On December 19, 2018, the Company announced the completion of a non-brokered private placement of 8,334,000 units at a price of \$0.12 per unit for gross proceeds of \$1,000,080, the offering. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company for a period of twelve months from the closing of the offering at an exercise price of \$0.20. Finder's fees of \$45,869 in cash and 382,240 Finder's Warrants were issued in connection with the private placement. The fair value of the warrants was estimated at \$0.0190 per warrant. This calculation was done using the Black-Scholes pricing model, based on a volatility of 63%, risk-free interest rate of 2.03%, no dividend, and an expected life of 1 year.

c) 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 outstanding and exercisable are summarized as follows:

	Number of stock options outstanding	Weight average exercise price
Balance, December 31, 2017	4,625,000	\$ 0.28
Granted	2,925,000	0.35
Expired/Cancelled	(650,000)	0.32
Exercised	(100,000)	0.16
Balance, December 31, 2018	6,800,000	0.31
Expired/Cancelled	(525,000)	0.30
Balance, September 30, 2019	6,275,000	\$ 0.31
Exercisable, September 30, 2019	6,187,500	\$ 0.31

On January 31, 2018, the Company granted stock options to purchase an aggregate of 2,575,000 Common Shares at \$0.36 for a period of five years to employees, consultants and directors of the Company. The stock options vest in tranches of 643,750 every 3 months. The options are granted pursuant to the Company's Stock Option Plan and the contract may be cancelled by either party with 90 days' notice. The fair value of the options was estimated at \$0.2479 per option, with \$562,264 recorded as stock-based compensation in the current year. This calculation was done using the Black-Scholes option pricing model, based on a volatility of 87%, risk-free interest rate of 2.08%, no dividend, forfeiture rate of 10% and an expected life of 5 years.

On October 31, 2018, the Company extended the investor relations agreement with Kaye Wynn Consulting Inc. ("Kaye Wynn") for an additional 12 months at a rate of \$1,500 per month. The Company granted Kaye Wynn stock options to purchase 350,000 common shares at \$0.25 for a period of one year. The stock options vest in accordance with TSX Venture Exchange policies relating to the granting and vesting of Investor Relations Stock Options. \$16,079 was recorded as stock-based compensation in the current year.

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

	September 30, 2019	December 31, 2018
Dividend rate	-	0%
Annualized volatility	-	87% to 93%
Risk free interest rate	-	2.08% to 2.26%
Expected life of stock options (years)	-	1 to 5
Weighted average fair value of options granted	-	\$ 0.2316

At September 30, 2019, the Company has 6,275,000 outstanding stock options enabling holders to acquire common shares as follows:

Expiry date	Exercise price	Number of stock options outstanding	Weighted average years to expiry
October 24, 2019*	\$ 0.32	350,000	0.07
November 28, 2021	\$ 0.25	2,600,000	2.16
August 18, 2022	\$ 0.35	1,000,000	2.88
January 31, 2023	\$ 0.36	2,325,000	3.34
		6,275,000	2.60

*Subsequent to September 30, 2019, all of these options expired unexercised.

d) Warrants

Share purchase warrants outstanding and exercisable are summarized as follows:

	Number of stock options outstanding	Weight average exercise price
Balance, December 31, 2017	25,090,807	\$ 0.20
Granted	10,579,797	0.25
Expired	(893,299)	0.33
Exercised	(3,477,800)	0.20
Balance, December 31, 2018	31,299,505	0.33
Granted	2,773,334	0.20
Expired	(11,853,575)	0.20
Balance, September 30, 2019	22,219,264	\$ 0.32

At September 30, 2019, the Company has 22,219,264 outstanding warrants enabling holders to acquire common shares as follows:

Expiry date	Exercise price	Number of stock options outstanding	Weighted average years to expiry
October 30, 2019 ⁽¹⁾	\$ 0.20	4,676,640	0.08
November 27, 2019 ⁽²⁾	\$ 0.45	9,002,708	0.16
December 1, 2019 ⁽³⁾	\$ 0.20	2,738,600	0.17
December 18, 2019 ⁽⁴⁾	\$ 0.20	1,301,000	0.23
May 11, 2020	\$ 0.48	685,782	0.61
May 30, 2020	\$ 0.48	1,041,200	0.67
August 8, 2021	\$ 0.20	2,773,334	1.86
		22,219,264	0.40

(1) Subsequent to September 30, 2019, the expiration date of 4,458,000 of these warrants was extended to October 31, 2020; the remaining 218,640 warrants expired unexercised.

(2) Subsequent to September 30, 2019, all of these warrants expired, unexercised.

(3) Subsequent to September 30, 2019, the expiration date of 2,575,000 of these warrants was extended to November 30, 2020; the remaining 163,600 warrants expired unexercised.

(4) Subsequent to September 30, 2019, the expiration date of these warrants was extended to December 18, 2020.

On October 23, 2018, the Company extended the expiry dates of outstanding common share purchase warrants issued pursuant to private placement offerings of the Company as follows:

Number of Warrants	Exercise price	Original Expiry	New Expiration Date
5,982,000	\$ 0.20	Oct. 28, 2018	April 29, 2019
3,800,000	\$ 0.20	Dec. 2, 2018	June 3, 2019
1,935,000	\$ 0.20	Dec. 29, 2018	July 1, 2019
9,002,708	\$ 0.25	Nov. 27, 2018	Nov. 27, 2019
685,782	\$ 0.48	May 11, 2019	May 11, 2020
1,041,200	\$ 0.48	May 30, 2019	May 30, 2020

7. Related Party Transactions and Key Management Compensation

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

Name of Related Party	Position	Nature of transaction
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	Geological services

Compensation paid or accrued to key management and/or their related companies during the three and nine months ended September 30, 2019 and 2018 was as follows:

Nature of expenditure	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Wages and benefits	\$ 6,240	\$ 6,240	\$ 18,720	\$ 18,720
Consulting fees	-	42,821	-	112,123
Share-based payments	-	224,297	-	390,411
	\$ 6,240	\$ 273,358	\$ 18,720	\$ 521,254

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

As at September 30, 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. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At September 30, 2019 and December 31, 2018, the Company's exploration and evaluation assets are located in one geographic location: Zambia, Africa.

9. Capital Management

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

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

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

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

10. Events After Reporting Date

Subsequent to the period ended September 30, 2019, 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.