



MIDNIGHT SUN MINING CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022**

As at November 28, 2022

MIDNIGHT SUN MINING CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Three & Nine Month Period Ended September 30, 2022

1. INTRODUCTION

The following management’s discussion and analysis (“MD&A”) of Midnight Sun Mining Corp. has been prepared as of November 28, 2022. 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 period ended September 30, 2022, and the audited consolidated financial statements for the year ended December 31, 2021, 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, 2022, 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 & SUBSEQUENT EVENTS

Highlights for and subsequent to the Three and Nine-Month Period Ended September 30, 2022

- During the period ended September 30, 2022, the Company granted an aggregate of 3,300,000 stock options to various employees, officers, directors, and consultants. The options have a life of five years and have an exercise price of \$0.165.
- During the period ended September 30, 2022, the Company granted 350,000 stock options to an investor relations consultant with a life of one year and exercise price of \$0.165.
- During the period ended September 30, 2022, the Company announced the commencement of drilling on the Company’s Solwezi Licences in Zambia.
- During the period ended September 30, 2022, the Company announced that Dr. Simon Dorling, an expert on Zambian-Congo Copperbelt has agreed to accept and maintain the engagement with the company.
- During the period ended September 30, 2022 the Company announced the termination of the Earn-In and Joint Venture Agreement. As per this agreement, Rio Tinto did not earn any ownership of the Solwezi Licences, and the control was returned to Midnight Sun along with all the samples and

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data collected while Rio Tinto acted as the project operator. Termination was effective June 28, 2022. The Company intends to continue exploration as sole operator.

- During the period ended September 30, 2022, the Company extended the exercise period of a total of 7,922,185 share purchase warrants, all of which are exercisable at \$0.25 per common share for an additional 12- months period, and the new expiry dates will be May 25, 2023.
- During the period ended September 30, 2022, the Company extended the maturity of two related party loans with a balance of \$157,571 at June 30, 2022 from February 9, 2022 to December 31, 2022. All other terms remained the same.
- During the period ended September 30, 2022, the Company entered into an agreement with Red Sea Resources, whereby it increased the amount advanced to \$1,268,099 and renegotiated the instrument as a convertible debenture, maturing on January 11, 2023, and convertible at \$0.15 per common share. The convertible debenture includes interest of \$63,030 owing at the time of repayment.
- During the period ended September 30, 2022, the Company announced listing its common shares to trade on the OTCQB under the symbol “MDNGF”. The listing is expected to provide greater liquidity and a better trading experience to the U.S shareholders. Trading on the OTCQB began on February 9th, 2022.

3. EXPLORATION AND EVALUATION ASSETS

Earn-in Agreement

During the year ended December 31, 2020, the Company entered into an Earn-in Agreement with Rio Tinto Mining and Exploration Limited (“Rio Tinto”), whereby Rio Tinto could earn up to a 75% interest in the Solwezi Licences. See Note 5 to the accompanying interim condensed consolidated financial statements for terms of the agreement. Rio Tinto completed exploration programs in 2020 and 2021 and terminated the Earn-in Agreement in June 2022 prior to the completion of the initial work program and accordingly, no interest was transferred to Rio Tinto.

60% Option Agreement

Pursuant to an option agreement (the “Option”) dated July 30, 2013, the Company acquired a 60% interest in two mineral prospecting licenses 21509-HQ-LEL and 12124-HQ-LPL, the Solwezi Licences, which are held by subsidiary of Kam Chuen, Zambian Highlight Mining Investment Limited (“ZHMIL”). To earn the 60% interest in the Solwezi Licences Midnight Sun issued a total of 15,333,333 common shares (issued - valued at \$4,106,667) to Kam Chuen and incurred a total of \$3,666,667 in qualifying expenditures on the Solwezi Licences. The Company received the 60% interest in ZHLMIL during the year ended December 31, 2019.

Under the Option, Midnight Sun was the operator responsible for managing all exploration and administration of the Solwezi Licences and the Company has continued in this role since earning the 60% interest.

On September 22, 2020, the Company increased its ownership share in ZHLMIL to 80.65% by participating in an issuance of 16,022 ZHLMIL ordinary shares at a price of \$618.52 with a total value of \$9,909,927.

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Of the total subscription, 5,756 ZHLMIL ordinary shares were fully paid up based on previous expenditures incurred by the Company in the amount of \$3,560,020. The remaining 10,266 ZHLMIL ordinary shares in the amount of \$6,349,726 were fully paid up by way of exploration expenditures made on behalf of ZHLMIL by the Company or the Company's former earn-in partner, Rio Tinto during the year ended December 31, 2020. On the acquisition of the additional 20.65% interest in the ZHLMIL, the Company recognized a decrease to the non-controlling interest of \$1,587,043 with a corresponding reduction in deficit.

Solwezi Licenses – Zambia

On March 1, 2017, the Acting Chief Registrar of Mining Rights issued the license 21509-HQ-LEL which 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 Minerals Development Act, 2015. On February 28, 2021, license 21509-HQ-LEL was renewed for a further 3 year period. In doing so, the Company was required to relinquish 50% of the license area. The relinquished 50% has been granted to Rio Tinto Exploration Zambia Limited as license 28816-HQ-LEL and is held on behalf of the Company as per the terms of the Earn-In and Joint Venture Agreement between Rio Tinto and Midnight Sun. Following the termination of the Earn-In agreement with Rio Tinto, this 50% will be transferred to the Company.

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 the final renewal period available to ZHLMIL. In accordance with the Mines and Minerals Development Act, 2015, for a period of 12 months, ZHLMIL is precluded from owning the same license area which expired. In order to preserve the license area, Rio Tinto formed a new corporation, Solwezi Metals Exploration Ltd., to apply for a new License over the same area. The relationship between Solwezi Metals Exploration Ltd. and Midnight Sun is governed by the terms of the Earn-In and Joint Venture Agreement between Rio Tinto and Midnight Sun. Solwezi Metals Exploration Ltd.'s application was accepted by the Zambian Mining Cadastre on November 23, 2021 and has since been validated and is currently pending final approval at the next Mining Licenses Committee meeting. There is no guarantee a new license will be granted to the Company or an affiliated entity.

Exploration Property - Expenditures

As at September 30, 2022, the Company had funded the following expenditures on the Solwezi Licenses:

Site and project expenditures	31-Dec-21	Additions	30-Sep-22
Acquisition costs	\$ 9,961,348	\$ -	\$ 9,961,348
Assays	326,119	8,310	334,429
Diamond drilling	3,043,326	443,611	3,486,937
Field expenses	1,212,272	26,933	1,239,205
General & administration	871,418	65,515	936,933
Geological consulting	1,187,606	161,248	1,348,854
License	260,469	8,311	268,780
Travel and accommodation	709,705	25,687	735,392
Total operations funded	\$ 17,572,263	\$ 739,615	\$ 18,311,878

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

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	Solwezi	Total
Balance, December 31, 2020	\$ 17,747,742	17,747,742
Exploration expenditures	139,741	139,741
Option payments received	(315,220)	(315,220)
Total additions during period	(175,479)	(175,479)
Balance, December 31, 2021	\$ 17,572,263	\$ 17,572,263
Exploration expenditures	739,615	739,615
Option payments received	-	-
Total additions during period	739,615	739,615
Balance, September 30, 2022	\$ 18,311,878	18,311,878

Exploration Property – Activities

During and subsequent to the period ended September 30, 2022, Midnight Sun has completed 12 drill holes totaling 2,639 metres of core with two additional drill holes currently in progress. Drilling has been on the Mitu Trend and on the Crunch Zone Prospect. The Company intends to continue field work as long as weather conditions permit. For the balance of the 2022 field season, the Company's work will focus on gaining a better understanding of the newly identified Kansanshi-style mineralization on the Mitu Trend.

Mitu Trend

The Mitu Trend targets were developed based on the interpretation of airborne magnetic data which highlighted a corridor of intense deformation, about 8 – 10 kilometres wide, that includes numerous northeast-trending structures which are also key to mineralization at the Kansanshi Mine.

During and subsequent to the period ended September 30, 2022, five widely spaced diamond drill holes were completed on the Mitu Trend targeting northeast-trending mineralization settings at two localities within the wider Mitu Trend. Drill holes MTDD-044 and MTDD-045 are located approximately 500 metres apart and intersected structurally controlled Cu-Co mineralization including:

- **4.15m @ 2.28% Cu eq** (1.29% Cu & 0.13% Co & 0.09% Ni) from 113.5m in MTDD-044
- **5.80m @ 2.41% Cu eq** (1.86% Cu & 0.07% Co & 0.02% Ni) from 119.2m, in MTDD-044
- **7.30m @ 0.79% Cu eq** (0.58% Cu & 0.02% Co & 0.02% Ni) from 149.0m, in MTDD-045

Holes drilled to test the continuity of the historic intercept in hole MDD-17-15 which measured 4.23% CuEq over 11.6m (*see the Company's news release dated July 4, 2017*) achieved a technical success, encountering sulphide minerals in fault breccia and the associated alteration zones broadly within the target depth interval. A detailed assessment is underway to assess the complexity of the setting in which this discovery was made.

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Crunch Zone

The Crunch Zone exploration target is situated between the Kazhiba Dome in the northwest and the Solwezi Dome in the southeast. Based on geophysical data, it appears a northeast trending wedge of Copperbelt strata is ‘crunched’ between the domes showing interference fold patterns that abruptly terminate against the domal structures. An analysis of the VTEM electromagnetic survey suggest mineralized fluids may have migrated along major faults or thrusts which occurred where the Copperbelt strata encountered the dome structures.

During and subsequent to the period ended September 30, 2022, an initial drill program consisting of several drill traverses to test for mineralization as well as determining the rock succession in the contact zones is underway at the Crunch Zone with seven holes completed. No assays from these holes have been received yet.

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

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 2022 \$	June 30 2022 \$	Mar 31 2022 \$	Dec 31 2021 \$
Financial results				
Net loss for period	691,805	242,776	203,361	1,198,191
Basic & diluted loss per share	0.01	0.00	0.00	0.01
Exploration expenditures	667,290	37,666	34,659	46,473
Statement of Financial Position				
Cash	789,744	1,701,278	1,984,625	2,564,905
Exploration & evaluation assets	18,311,878	17,644,588	17,606,922	17,572,263
Total assets	20,062,140	20,264,239	20,525,837	20,775,858
Shareholders’ equity	19,815,795	20,101,286	20,343,778	20,545,847

	Sept 30 2021 \$	June 30 2021 \$	Mar 31 2021 \$	Dec 31 2020 \$
Financial results				
Net loss for period	178,408	340,837	184,678	108,015
Basic & diluted loss per share	0.00	0.00	0.00	0.00
Exploration expenditures	29,502	31,347	32,419	20,203
Statement of Financial Position				
Cash	2,495,656	1,030,954	721,620	1,061,964
Exploration & evaluation assets	17,841,010	17,811,508	17,780,161	17,747,742
Total assets	21,905,166	20,156,877	19,740,873	19,776,987
Shareholders’ equity	21,742,595	19,982,745	19,622,585	19,535,914

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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.

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, 2022.

The Company's loss for the three months ended September 30, 2022, was \$708,933, or \$0.01 per share, as compared to a loss of \$178,408, or \$0.00 per share for the three months ended September 30, 2021. The increase was primarily related an option grant during the period and additional shareholder and investor relations costs, offset by a reduction in legal fees, as the Company required fewer resources in defence of claims from Solwezi optionor, and in share-based payments, as the Company did not grant any stock options during the period.

Significant expenses during the three-month period ended September 30, 2022 consisted of accounting and audit fees, \$26,500 (2021: \$36,937), consulting fees, \$32,750 (2021: \$9,000), investor and shareholder relations, \$89,565 (2021: \$10,279), legal fees, \$nil (2021: \$23,330), office services and miscellaneous, \$18,690 (2021: \$18,764), regulatory and transfer agent fees, \$5,102 (2021: \$22,731), share-based payments, \$406,314 (2021: \$5,163), and wages and benefits, \$91,101 (2021: \$76,334).

Nine Month Period Ended September 30, 2022

The Company's loss for the nine months ended September 30, 2022, was \$1,187,005, or \$0.01 per share, as compared to a loss of \$703,923, or \$0.01 per share for the nine months ended September 30, 2021. The change was largely related to share-based payments and additional shareholder and investor relations costs recognized during the period ended September 30, 2022.

Major expenses during the nine-month period ended September 30, 2022 consisted of accounting and audit fees, \$73,579 (2021: \$66,937), consulting fees, \$70,589 (2021: \$13,000), investor and shareholder relations, \$210,906 (2021: \$61,675), legal fees, \$16,381 (2021: \$130,523), office services and miscellaneous expenses, \$57,104 (2021: \$71,573), regulatory and transfer agent fees, \$38,926 (2021: \$34,929), share-based payments, \$407,890 (2021: \$78,858), and wages and benefits, \$265,748 (2021: \$263,793).

During the nine-month period ended September 30, 2022, \$710,541 (2021 - \$719,190) in cash was used for operating activities.

During the nine-month period ended September 30, 2022, investing activities required \$1,043,500 (2021 - \$394,026) in cash, comprised of \$739,615 (2021 - \$93,268) in cash used for exploration and evaluation asset expenditures and \$303,885 (2021 - \$300,758) advanced as a loan to a related party.

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During the nine-month period ended September 30, 2022, financing activities required \$21,120 (2021 - generated \$2,546,908) cash and related in the current year to lease payments of \$21,120 (2021 – 19,838). During the comparative period, the Company generated \$1,966,900 in proceeds from private placements, \$112,750 in proceeds from option exercises, \$531,167 in proceeds from warrant exercises, and \$28,800 in share subscriptions received, less share issuance costs of \$72,871.

6. LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2022, the Company had \$789,744 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, 2022, the Company had a working capital of \$662,480. In the opinion of management this working capital is insufficient to support the Company's 2023 general administrative and corporate operating requirements, and the Company will need to rely in the future on further financings for continued exploration and evaluation activities.

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.

Management is encouraged by improving equity markets for mineral exploration programs and anticipates seeking additional sources of funding in the near future. 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. For the year ended December 31, 2021, the Company's exploration and evaluation expenditures was satisfied through exploration activities completed by Rio Tinto, as part of the initial work program and stage 1 activities as defined by the Earn-in Agreement. To continue exploring the Solwezi Licenses without the participation of Rio Tinto, Midnight Sun may 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, 2022 consist of 8 officers and directors (and their related companies).

Name of Related Party	Position at Sept 30, 2020	Nature of transaction
Allan J. Fabbro	Director & CEO	Director
Fengjie Huang	Director(Zambian subsidiary)	Management services
Mathew Mackenzie	Secretary	Corporate secretary
Richard J. Mazur	Director	Director
Wayne Moorhouse	Director	Director
Brett Richards/Richards Enterprises Inc.	Director	Director
Robert A. Sibthorpe / 069426 BC Ltd	VP Exploration & Director	Management services
Alastair Brownlow / Red Fern Consulting Ltd.	CFO	Management services

As at September 30, 2022, \$27,577 (December 31, 2021 - \$66,298) 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.

Investments

During the year ended December 31, 2020, the Company purchased 2,500,000 common shares of Red Sea Resources Ltd. ("Red Sea") at a price of \$0.01 per common share for a total of \$25,000. Red Sea, a private company, has common officers and directors as the Company and is in the process of identifying and acquiring exploration and evaluation properties in Egypt. During the year ended December 31, 2020, the Company was granted an additional 800,000 common shares of Red Sea valued at \$0.05 per share for a total of 40,000 as a financing fee on the issuance of a USD \$650,000 loan. During the year ended December 31, 2021, the Company was granted an additional 200,000 common shares of Red Sea, valued at \$0.10 per common share on the advance of an additional USD \$100,000 loan.

As at September 30, 2022, the investments were valued at \$0.10 (2021 - \$0.10) per common share for a total value of \$350,000 (December 31, 2021 - \$350,000).

Loans and Debenture Receivable

During the year ended December 31, 2020, the Company issued a promissory note to Red Sea in the amount of USD 650,000 without interest, payable on demand. During the year ended December 31, 2021, the Company extended an additional USD 108,990 to Red Sea, resulting in a total loan of USD 750,000 outstanding (\$962,248). During the year ended December 31, 2021, the Company has taken a full allowance for doubtful accounts of \$962,248 on the loan balance.

During the period ended September 30, 2022, the Company entered into an agreement whereby it increased the amount advanced to \$1,360,485 and renegotiated the instrument as a convertible debenture denominated in Canadian dollars, maturing on January 11, 2023, and convertible at \$0.15 per common share. The convertible debenture includes interest of \$63,030 owing at the time of repayment. During the period ended September 30, 2022, the Company recognized interest income of \$45,243 (2021 - \$nil on the debenture).

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During the year ended December 31, 2021, the Company issued loans to officers of the Company in the amount of \$173,333. The loans are unsecured, bear interest at 3% per annum, and mature on February 9, 2022. During the period ended September 30, 2022, the Company entered into an amending agreement to extend the maturity of these loans to December 31, 2022. During the period ended September 30, 2022, the Company recognized interest income of \$3,820 (2021 - \$nil) on the loans. During the period ended September 30, 2022, repayments of \$20,435 were made on the loans.

A reconciliation of the Company's loans and debentures receivable as at September 30, 2022 and December 31, 2021 is as follows:

	Sept 30, 2022	Dec 31, 2021
Opening balance	\$ 175,427	\$ 830,778
Additions	303,885	308,615
Interest accrued	49,063	2,094
Allowance for bad debt	-	(962,248)
Repayments	(20,435)	-
Foreign Exchange	-	(3,812)
	\$ 507,940	\$ 175,427

8. KEY MANAGEMENT COMPENSATION

Compensation paid or accrued to key management and/or their related companies during the nine-months ended September 30, 2022, and 2021 is as follows:

Nature of Expenditure	For the Nine Month Period Ended September 30,	
	2022	2021
Wages and benefits	\$ 233,200	\$ 213,000
Consulting fees	78,089	36,000
Share-based payments	321,311	45,860
Total	\$ 632,600	\$ 294,860

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 CEO, Corporate Secretary and Directors and Consulting fees are amounts paid to the consulting firm of which the Company's CFO is an associate.

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.

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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

There were no changes to accounting policies for the period ended September 30, 2022.

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 classified its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (FVTOCI), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of operations and comprehensive loss in the period.

Financial assets at FVTOCI: Financial assets carried at FVTOCI are recorded at fair value and transaction costs are expensed in the statement of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in fair value of the financial assets held at FVTOCI are included in other comprehensive (loss) income in the period.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income as they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset’s contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

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Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial asset	IFRS 9 Classification
Cash	Amortized cost
Advances and deposits	Amortized cost
Short-term investments	FVTPL
Loan receivable	Amortized cost
Receivables	Amortized cost

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. 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 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 accounts payable and accrued liabilities which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive losses immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

The following table shows the classification of the Company's financial liabilities under IFRS 9:

Financial liability	IFRS 9 Classification
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities
Loan payable	Other financial liabilities

The carrying value of receivables, loan receivable, short-term investments, accounts payable and accrued liabilities, loan payable, 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, 2022 and December 31, 2021 to interest rate risk through its financial instruments.

Currency Risk

Throughout the period ended September 30, 2022, 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

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accounts payable denominated in US Dollars. A 1% change in the foreign exchange rate between the Canadian and US Dollar would not result in a material fluctuation in the net loss for the period.

Credit risk

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 \$13,823 held with a major financial institution in Zambia. Management believes the risk of loss to be remote.

Receivables consist of goods and services tax due from the Government of Canada in the amount of \$16,600. The Company also holds a \$1,376,372 (December 31, 2021 - \$962,248) convertible debenture from a related party, bearing interest of 4.75% and payable on January 11, 2023, and \$158,812 (December 31, 2021 - \$175,427) from officers and directors bearing interest at 3% per annum and repayable on December 31, 2022. The Company assesses expected credit losses based upon current credit information and during the year ended December 31, 2021, the Company took an allowance for doubtful accounts on the entire loan receivable from a related party of \$962,248 (note 9). To assess credit risk on the loans to officers and directors, the Company assesses maturity date and ability to make payments and has not assessed a significant risk of collection.

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, 2022, the Company had \$789,744 cash (December 31, 2021 - \$2,564,905) and current liabilities of \$206,345 (December 31, 2021 - \$171,955).

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

See the Company's MD&A for the year ended December 31, 2021 for disclosure of risks and uncertainties.

14. COMMITMENTS

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

15. 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.

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16. DISCLOSURE OF OUTSTANDING SHARE DATA

The table below presents the Company's common share data as of November 28, 2022.

	Price	Expiry date	November 28, 2022
Common shares issued and outstanding			113,004,014
Securities convertible into common shares:			
Stock Options	\$0.36	January 31, 2023	1,950,000
	\$0.135	May 6, 2025	2,025,000
	\$0.31	April 28, 2026	200,000
	\$0.165	August 12, 2027	3,300,000
	\$0.165	August 12, 2023	350,000
Total Options			7,825,000
Warrants	\$0.25	May 25, 2023	7,922,185
	\$0.50	July 2, 2023	5,796,534
Total Warrants			13,718,719
Total options & warrants outstanding			21,543,719

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.

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 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 have 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.

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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. 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.