



Midnight Sun Mining Corp.

Condensed Consolidated Interim Financial Statements

For the three- and nine-month periods ended September 30, 2022 and 2021

*(Expressed in Canadian Dollars)
(Unaudited)*

Notice of No Review of Condensed Consolidated Interim 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, 2022	December 31, 2021
ASSETS		
Current		
Cash	\$ 789,744	\$ 2,564,905
Advances and deposits	62,481	65,112
Receivables	16,600	6,317
	868,825	2,636,334
Right-of-Use Asset (note 4)	23,497	41,834
Investments (note 9)	350,000	350,000
Loans and debenture receivable (note 7)	507,940	175,427
Exploration and evaluation assets (note 5)	18,311,878	17,572,263
	868,825	2,636,334
Total Assets	\$ 20,062,140	\$ 20,775,858
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 153,737	\$ 81,106
Lease liabilities (note 6)	25,031	24,551
Due to related parties (note 9)	27,577	66,298
	206,345	171,955
Loan payable (note 7)	40,000	40,000
Non-current portion of lease liabilities (note 6)	-	18,056
	40,000	40,000
Total Liabilities	246,345	230,011
Shareholders' Equity		
Share capital (note 8)	21,015,097	21,015,097
Reserves – options (note 8)	2,101,768	1,693,878
Reserves – warrants (note 8)	240,561	240,561
Deficit	(9,441,660)	(8,303,718)
	13,915,766	14,645,818
Non-controlling interest	5,900,029	5,900,029
Total Shareholders' Equity	19,815,795	20,545,847
Total Liabilities and Shareholders' Equity	\$ 20,062,140	\$ 20,775,858

Nature of operations (note 1)
Basis of presentation (note 2)

Approved and authorized by the Board of Directors on November 28, 2022:

“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)

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Expenses				
Accounting and audit fees	\$ 26,500	\$ 36,937	\$ 73,579	\$ 66,937
Accretion on lease liabilities (note 6)	732	437	2,657	918
Consulting fees (note 9)	32,750	9,000	70,589	13,000
Depreciation expense (note 4)	6,408	5,939	19,224	17,482
Foreign exchange loss (gain)	31,771	(30,506)	24,001	(8,765)
Investor and shareholder relations	89,565	10,279	210,906	61,675
Legal fees	-	23,330	16,381	130,523
Office services and miscellaneous	18,690	18,764	57,104	71,573
Regulatory and transfer agent fees	5,102	22,731	38,926	34,929
Share-based payments (notes 8)	406,314	5,163	407,890	78,858
Wages and benefits (note 9)	91,101	76,334	265,748	236,793
	(708,933)	(178,408)	(1,187,005)	(703,923)
Interest income	17,128	-	49,063	-
Loss and comprehensive loss for the period	(691,805)	(178,408)	(1,137,942)	(703,923)
Loss attributable to:				
Owners of the parent	(691,805)	(178,408)	(1,137,942)	(703,923)
Non-controlling interest	-	-	-	-
	\$ (691,805)	\$ (178,408)	\$ (1,137,942)	\$ (703,923)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	113,004,014	111,436,013	113,004,014	106,618,689

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

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

	Attributable to owners of the parent						Total	Non-controlling interest	Total shareholders' equity
	Shares	Amount	Share subscriptions receivable	Reserves – warrants	Reserves – options	Deficit			
Balance, December 31, 2020	103,982,966	\$18,462,522	\$ (33,500)	\$ 184,448	\$ 1,689,019	\$(7,988,647)	\$12,313,842	\$ 7,487,072	\$19,800,914
Private Placement	5,619,714	1,910,703	-	56,197	-	-	1,966,900	-	1,966,900
Stock options exercised	750,000	189,492	-	-	(76,742)	-	112,750	-	112,750
Warrants exercised	2,651,334	557,591	-	(26,424)	-	-	531,167	-	531,167
Share issuance cost	-	(72,871)	-	-	-	-	(72,871)	-	(72,871)
Finder's warrants	-	(26,340)	-	26,340	-	-	-	-	-
Share subscription received	-	-	28,800	-	-	-	28,800	-	28,800
Share-based payments	-	-	-	-	78,858	-	78,858	-	78,858
Adjustment to non-controlling interest in Zambian High Light	-	-	-	-	-	1,587,043	1,587,043	(1,587,043)	-
Loss for the period	-	-	-	-	-	(703,923)	(703,923)	-	(703,923)
Balance, September 30, 2021	113,004,014	21,021,097	(4,700)	240,561	1,691,135	(7,105,527)	15,842,566	5,900,029	21,742,595
Share issuance costs	-	(6,000)	-	-	-	-	(6,000)	-	(6,000)
Share subscriptions received	-	-	4,700	-	-	-	4,700	-	4,700
Share-based payments	-	-	-	-	2,743	-	2,743	-	2,743
Loss for the period	-	-	-	-	-	(1,198,191)	(1,198,191)	-	(1,198,191)
Balance, December 31, 2021	113,004,014	21,015,097	-	240,561	1,693,878	(8,303,718)	14,645,818	5,900,029	20,545,847
Share-based payments	-	-	-	-	407,890	-	407,890	-	407,890
Loss for the period	-	-	-	-	-	(1,137,942)	(1,137,942)	-	(1,137,942)
Balance, September 30, 2022	113,004,014	\$21,015,097	\$ -	\$ 240,561	\$ 2,101,768	\$(9,441,660)	\$13,915,766	\$ 5,900,029	\$19,815,795

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,	2022	2021
Operating activities		
Loss for the period	\$ (1,137,942)	\$ (703,923)
Items not affecting cash:		
Depreciation	19,224	17,482
Accretion on lease liabilities	2,657	918
Share-based payments	407,890	78,858
Unrealized foreign exchange	-	2,628
Interest accrued on loans receivable	(49,063)	-
Changes in non-cash working capital items		
Accounts payable and accrued liabilities	93,066	(108,292)
Due to related parties	(38,721)	(1,281)
Accounts receivable	(10,283)	(8,378)
Advances and deposits	2,631	2,798
	(710,541)	(719,190)
Investing activities		
Exploration and evaluation asset expenditures	(739,615)	(93,268)
Loans advanced	(303,885)	(300,758)
	(1,043,500)	(394,026)
Financing activities		
Proceeds from Private Placement	-	1,966,900
Share Issuance cost	-	(72,871)
Proceeds from warrant exercises	-	531,167
Proceeds from option exercises	-	112,750
Share subscriptions received	-	28,800
Payments toward lease liabilities	(21,120)	(19,838)
	(21,120)	2,546,908
Net change in cash	(1,775,161)	1,433,692
Cash, beginning of period	2,564,905	1,061,964
Cash, end of period	\$ 789,744	\$ 2,495,656

SUPPLEMENTAL NON-CASH DISCLOSURES

Adjustment to lease liabilities and right-of-use assets	\$ 887	\$ 49,991
Fair Value of finder's warrants issued	-	26,340
Loans receivable settled against accounts payable and accrued liabilities	\$ 20,435	\$ -

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 consolidated interim 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 consolidated interim financial statements are based on IFRS issued and outstanding as of November 28, 2022, 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, 2021. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2021 could result in restatement of these unaudited condensed consolidated interim financial statements.

b) Going concern

These 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 condensed consolidated interim financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classifications used.

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

During the nine-month period ended September 30, 2022 and the year ended December 31, 2021, 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, 2022, the Company had an accumulated deficit of \$9,441,660 (December 31, 2021 - \$8,303,718) and had a working capital of \$662,480 (December 31, 2021 - \$2,464,379). Management has estimated that the Company will require additional financing to complete all planned exploration programs. 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 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.

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations this time.

c) Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its controlled subsidiaries. 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. The Company's significant subsidiaries are as follows:

	Country of Incorporation	Effective Interest
Midnight Sun Mining Zambia Limited ("MSM Zambia")	Zambia	100%
Midnight Sun One Co.	BVI	100%
Midnight Sun Two Co.	BVI	100%
Zambian High Light Mining Investment Limited ("ZHLMIL")	Zambia	80.65%
FAMS Mining Zambia Limited ("FAMS")	Zambia	100%

d) Functional and presentation currency

The Company's reporting and functional currency is the Canadian dollar. The functional currency of MSM Zambia, Midnight Sun One Co., Midnight Sun Two Co., FAMS, and ZHLMIL 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 condensed consolidated interim financial statements have been prepared on a historical cost 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cashflow information.

f) Estimates and judgments.

The preparation of these 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 condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 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. 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.

vi. Valuation of the Non-Controlling Interest

During the year ended December 31, 2021, the Company increased its ownership share in ZHLMIL by 20.65% 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 (note 5). On acquisition of the additional 20.65%, the Company reclassified \$1,587,043 from non-controlling interest to deficit.

vii. Investments

The fair value of financial instruments that are not traded in an active market is estimated on the basis of the price established in recent transactions involving similar instruments or, in the absence thereof, determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

viii. Loans receivable

The Company exercises judgment in identifying impaired loans receivable, the collection of which may be uncertain. In determining whether an impairment loss should be recorded in profit or loss, the Company considers whether there is any observable data indicating that an increase in the credit risk or a decrease in the estimated future cash flows from a loan has occurred. This evidence may include observable data indicating that there has been an adverse change in the payment status and days outstanding.

3. 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 has designated its investments at level 2.

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, 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.

b) 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.

c) Currency risk

Throughout the nine-month period ended September 30, 2022, and the year ended December 31, 2021, 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 not result in a material fluctuation in the net loss for the period.

d) 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.

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

4. Right-of-Use Asset

Cost		
Balance, December 31, 2020	\$	62,400
Adjustment to lease liabilities (note 6)		(209)
Extinguishment of lease liabilities (note 6)		(62,191)
Renewal of lease liabilities (note 6)		50,200
Balance, December 31, 2021		50,200
Adjustment to lease liabilities (note 6)		887
Balance, September 30, 2022	\$	51,087
Accumulated Depreciation		
Balance, December 31, 2020	\$	46,800
Depreciation		23,757
Extinguishment of lease liabilities (note 6)		(62,191)
Balance, December 31, 2021		8,366
Depreciation		19,224
Balance, September 30, 2022	\$	27,590
Carrying Values		
December 31, 2021	\$	41,834
September 30, 2022	\$	23,497

5. Exploration and Evaluation Assets

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

Solwezi property

Pursuant to an option agreement, the Company acquired a 60% interest in two Zambian mineral property licences (the “Solwezi Licenses”) during the year ended December 31, 2019. The licenses are held by a Zambian registered company, ZHLMIL, of which Midnight Sun is a 60% shareholder through the Company’s wholly owned subsidiary, Midnight Sun (BVI) Two Corp. The share transfer from Kam Chuen to Midnight Sun (BVI) Two Corp. occurred on October 20, 2019 and was registered in Zambia with the Patents and Companies Registration Agency. The acquisition was accounted for as an asset acquisition.

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.

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. 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 earn-in partner, Rio Tinto Mining and Exploration Limited (“Rio Tinto”) during the year ended December 31, 2020. On the acquisition of the additional 20.65% interest in the ZHMIL, the Company recognized a decrease to the non-controlling interest of \$1,587,043 with a corresponding reduction in deficit.

As at September 30, 2022, the only asset held by ZHMIL is the Solwezi exploration and evaluation asset. There were no operations within ZHMIL for the period ended September 30, 2022, and accordingly no loss attributed to the NCI.

Earn-in Agreement

On April 27, 2020, the Company entered into an earn-in and joint venture agreement (the “Earn-in Agreement”) with Rio Tinto in which Rio Tinto can earn up to a 75% interest in the Solwezi Licenses. The terms of the agreement are as follows:

- Initial Cash Payment: A cash payment in the amount of US \$700,000 payable by Rio Tinto to Midnight Sun upon removal of conditions (received during the year ended December 31, 2020 with a value of \$908,950).
- Initial Work Program: Rio Tinto can fund an initial work program on the Solwezi Licenses by spending US \$3,000,000, of which US \$2,000,000 is a firm commitment, within the next two field seasons (completed during the year ended December 31, 2020). After completing the firm commitment, a further US \$300,000 will become payable by Rio Tinto to Midnight Sun before Rio Tinto proceeds with the additional expenditures (received during the year ended December 31, 2020 with a value of \$389,550).
- Stage 1: After completing the Initial Work Program, Rio Tinto can earn a 51% ownership of the Solwezi Licenses by incurring a further US \$16,000,000 in work expenditures within four years and making a total of US \$1,000,000 in additional scheduled cash payments to Midnight Sun.
- Stage 2: Rio Tinto can earn an additional 14% ownership of the Licences by incurring a further US \$14,000,000 in work expenditures or completing a Feasibility Study within three years of starting Stage 2 and making an additional US \$1,000,000 cash payment to Midnight Sun.
- Stage 3: Rio Tinto can earn an additional 10% ownership of the Licences by incurring a further US \$15,000,000 in work expenditures within two years.

During the period ended September 30, 2022, the Earn-in Agreement was terminated prior to the completion of the initial work program and accordingly, no interest was transferred to Rio Tinto.

As at September 30, 2022 and December 31, 2021, the Company had funded the following cumulative exploration expenditures on the Solwezi Licenses:

	September 30, 2022	December 31, 2021
Site and project expenditures:		
Acquisition costs	\$ 9,961,348	\$ 9,961,348
Assays	334,429	326,119
Drilling	3,486,937	3,043,326
Field expenses	1,239,205	1,212,272
General and administrative	936,933	871,418
Geological consulting	1,348,854	1,187,606
License	268,780	260,469
Travel and accommodation	735,392	709,705
Total operations funded	\$ 18,311,878	\$ 17,572,263

The following table presents the Company's exploration expenditures on the Solwezi Licenses for each of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Site and project expenditures:		
Assays	8,310	-
Drilling	443,611	-
Field expenses	26,933	-
General and administrative	65,515	103,692
Geological consulting	161,248	36,049
Licences	8,311	-
Travel & accommodation	25,687	-
Total operations funded	\$ 739,615	\$ 139,741

6. Lease liabilities

During the year ended December 31, 2019, the Company entered into a new office lease with a term of 32 months from January 1, 2019 and expected total payments of \$70,780. Using an annual discount rate of 10%, the Company recognized a lease liability and corresponding right-of-use asset (note 4) of \$62,400. During the year ended December 31, 2021, as a result of an amendment to the lease payment schedule, the Company recognized an adjustment to lease liabilities and right-of-use asset (note 4) of \$209.

During the year ended December 31, 2021, the Company renewed its office lease for a term of 24 months from September 1, 2021 with expected total payments of \$55,626. Using an annual discount rate of 10%, the Company recognized a lease liability and corresponding right-of-use asset (note 4) of \$50,200 during the year ended December 31, 2021. During the period ended September 30, 2022, as a result of an amendment to the lease payment schedule, the Company recognized an adjustment to lease liabilities and right-of-use asset (note 4) of \$887.

The following is a reconciliation of the changes in the lease liabilities for period ended September 30, 2022 and year ended December 31, 2021.

	September 30, 2022	December 31, 2021
Opening Balance	\$ 42,607	\$ 17,255
Adjustment	887	(209)
Renewal of office lease	-	50,200
Payments	(21,120)	(26,717)
Lease accretion	2,657	2,078
	25,031	42,607
Lease liabilities, current portion	(25,031)	(24,551)
Lease liabilities, non-current portion	\$ -	\$ 18,056

The following summarizes the undiscounted minimum lease payments under the lease liabilities:

Fiscal Year	Payment
2022	\$ 7,173
2023	19,126
Amount representing future lease accretion	(1,268)
Lease liabilities	\$ 25,031

7. Loan Payable

As part of the Government of Canada's response to the COVID-19 global pandemic, certain businesses are eligible to apply for the Canada Emergency Business Account (the "CEBA"). The CEBA provides companies with a \$40,000 interest free loan to be used to cover non-deferrable operating expenses during the period where operations had been temporarily reduced due to the economic impacts of the COVID-19 virus. During the year ended December 31, 2020, the Company applied for the CEBA and received the \$40,000 loan. The CEBA remains interest free until December 31, 2023 and has no fixed repayment schedule. If \$30,000 is repaid on or before December 31, 2023, the remaining \$10,000 will be forgiven. If, at December 31, 2023, any amount remains unpaid, the Company will enter into an extension agreement whereby it will accrue interest at a rate of 5% per annum, with a repayment schedule to be determined at that time.

8. Share Capital and Reserves

a) Authorised

Unlimited number of common shares authorised, without par value.

b) Share issuances

At September 30, 2022, the Company had 113,004,014 common shares (December 31, 2021 – 113,004,014) issued and outstanding.

2022 share issuances

There were no share issuances during the period ended September 30, 2022

2021 share issuances

- a) On July 2, 2021, the Company closed a non-brokered private placement by issuing 5,619,714 units at a price of \$0.35 per unit for gross proceeds of \$1,966,900. Each unit consist of one common share and one common share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at a price of \$0.50 for a period of two years from closing. Using the residual value method, the Company recognized additions to share capital of \$1,910,703 and to warrants reserves of \$56,197.

The Company paid cash finder's fees of \$61,887 and granted 176,820 finder's warrants with a value of \$26,340, with an exercise price of \$0.50 and life of two years, valued using the Black-Scholes pricing model using a share price \$0.34, expected life of two years, and a volatility of 101.67%. In addition to the finder's fees, the Company incurred an additional \$16,984 in closing costs.

- b) During the year ended December 31, 2021, the Company received gross proceeds of \$112,750 on the exercise of 750,000 stock options and \$531,167 on the exercise of 2,651,334 warrants. In connection with exercises, the Company reclassified \$76,742 and \$26,424 from option and warrant reserves respectively.

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	Weighted average exercise price
Balance, December 31, 2020	8,850,000	\$ 0.25
Granted	550,000	0.31
Exercised	(750,000)	0.15
Expired/Cancelled	(2,550,000)	0.25
Balance, December 31, 2021	6,100,000	0.27
Granted	3,650,000	0.165
Expired/Cancelled	(1,925,000)	0.31
Balance, September 30, 2022	7,825,000	\$ 0.21
Exercisable, September 30, 2022	7,475,000	\$ 0.21

During the period ended September 30, 2022, the Company granted 3,650,000 stock options (year ended December 31, 2021 – 550,000) with a weighted average fair value of \$0.12 (year ended December 31, 2021 - \$0.15) per option. Total share-based payments recognized for the period ended September 30, 2022 was \$407,890 (2021 - \$78,858) for incentive options granted and vested. The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	September 30, 2022	December 31, 2021
Weight average share price	\$0.165	\$0.31
Risk-free interest rate	2.94%	0.35%
Expected life of option	4.62 years	2.45 years
Expected annualized volatility	95.15%	88.57%
Expected dividend rate	0%	0%

At September 30, 2022, the Company has the following stock options outstanding:

Expiry date	Exercise price	Number of stock options outstanding	Weighted average years to expiry
January 31, 2023	\$ 0.36	1,950,000	0.34
May 6, 2025	\$ 0.135	2,025,000	2.60
April 28, 2026	\$ 0.31	200,000	3.58
August 12, 2027	\$ 0.165	3,300,000	4.87
August 12, 2023	\$ 0.165	350,000	0.87
		7,825,000	2.94

d) Warrants

Share purchase warrants outstanding and exercisable are summarized as follows:

	Warrants outstanding	Weighted average exercise price
Balance, December 31, 2020	11,132,609	\$ 0.24
Granted	5,796,534	1.01
Exercised	(2,651,334)	0.20
Expired	(140,000)	0.20
Balance, December 31, 2021	14,137,809	0.35
Expired	(419,090)	0.25
Balance, September 30, 2022	13,718,719	\$ 0.36

As at September 30, 2022, the Company had the following warrants outstanding:

Expiry date	Exercise price	Number of warrants outstanding	Weighted average years to expiry
May 25, 2023*	\$ 0.25	7,922,185	0.90
July 2, 2023	\$ 0.50	5,796,534	1.01
		13,718,719	0.95

*During the period ended September 30, 2022, these warrants had their maturities extended to May 25, 2023.

9. Related Party Transactions and Key Management Compensation

The Company's related parties at September 30, 2022 consist of 8 officers and directors (and their related companies), as follows:

Name of Related Party	Position	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

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

Nature of expenditure	September 30, 2022	September 30, 2021
Wages and benefits	\$ 233,200	\$ 213,000
Consulting Fees	78,089	36,000
Share-based payments	321,311	45,860
	\$ 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.

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).

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:

	September 30, 2022	December 31, 2021
Opening balance	\$ 175,427	\$ 830,778
Additions	303,885	308,615
Interest accrued	49,063	2,094
Repayments	(20,435)	-
Allowance for doubtful accounts	-	(962,248)
Foreign exchange	-	(3,812)
	\$ 507,940	\$ 175,427

10. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At September 30, 2022, the Company's exploration and evaluation assets are located in one geographic location: Zambia, Africa.

11. 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 3.

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.

12. Commitments and contingencies

During the year ended December 31, 2021, the Company's Joint Venture Partners brought an action in Zambia objecting to the Earn-In Agreement, on the basis that the Company has acted in a manner oppressive to the Joint Venture Partner's interest in ZHLMIL. The Company is of the view that the action is without merit and is vigorously defending the action and accordingly, no provision has been recorded in relation to the legal proceedings.