



**MIDNIGHT SUN MINING CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

*As at May 29, 2023*

**MIDNIGHT SUN MINING CORP.**  
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**For the Three-Month Period Ended March 31, 2023**

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**1. INTRODUCTION**

The following management’s discussion and analysis (“MD&A”) of Midnight Sun Mining Corp. has been prepared as of May 29, 2023. 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 March 31, 2023, and the audited consolidated financial statements for the year ended December 31, 2022, 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 March 31, 2023, 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**

**Corporate and Financial Highlights for the Three-Month Period Ended March 31, 2023**

- Subsequent to the period ended March 31, 2023, an aggregate of 542,000 warrants were exercised for proceeds of \$135,500.
- During the period ended March 31, 2023, the Company granted 3,300,000 stock options to certain directors, officers, employees, and consultants of the Company with an exercise price of \$0.21 and life of five years.
- During the period ended March 31, 2023, the Company completed a non-brokered private placement by issuing 4,685,000 at a price of \$0.20 per unit for gross proceeds of \$937,000, of which \$5,000 had been received as at March 31, 2023. Each unit consists of one common share (“Common Share”) in the capital of the Company and one Common Share purchase warrant (“Warrant”). Each Warrant entitles the holder to purchase one Common Share of the Company for a period of twenty-four months from closing, at an exercise price of \$0.30. In connection with the offering, the Company paid cash finder’s fees of \$58,660 and granted 292,800 finder’s warrants, each entitling the holder to purchase one additional common share at a price of \$0.30 for a period of two years.

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- During the period ended March 31, 2023, the Company announced the appointment of Adrian O'Brien as Director of Marketing and Communications. With over 20 years of experience in the mineral exploration and mining industry, Mr. O'Brien has acted in various capacities and has substantial experience at the senior management level, including officers' and directors' responsibilities.

### **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 6 to the accompanying 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. 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 ZHMIL, the Company recognized a decrease to the non-controlling interest of \$1,587,043 with a corresponding reduction in deficit.

On December 7, 2022, the Company increased its ownership share in ZHLMIL to 84.30% by participating in an issuance of 7,187 ZHLMIL ordinary shares at a price of \$618.52 with a total value of \$4,445,303. The remaining ordinary shares in the amount 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"). On the acquisition of the additional 3.64% interest in the ZHMIL, the Company recognized a decrease to the non-controlling interest of \$343,423 with a corresponding reduction in deficit.

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**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, as licence 30678-HQ-LEL and has since been validated and has received final approval for granting.

**Exploration Property - Expenditures**

As at March 31, 2023, the Company had funded the following expenditures on the Solwezi Licenses:

<b>Site and project expenditures</b>	<b>31-Dec-22</b>	<b>Additions</b>	<b>31-March-23</b>
Acquisition costs	\$ 9,961,348	\$ -	\$ 9,961,348
Assays	334,763	3,580	338,343
Diamond drilling	3,995,275	25,273	4,020,548
Field expenses	1,318,977	13,925	1,332,902
General & administration	907,686	19,560	927,246
Geological consulting	1,676,760	46,371	1,723,131
License	268,870	-	268,870
Travel and accommodation	759,518	11,229	770,747
<b>Total operations funded</b>	<b>\$ 19,223,197</b>	<b>\$ 119,938</b>	<b>\$ 19,343,135</b>

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

	Solwezi	Total
<b>Balance, December 31, 2021</b>	<b>\$ 17,572,263</b>	<b>\$ 17,572,263</b>
Exploration expenditures	1,650,934	1,650,934
Total additions during period	1,650,934	1,650,934
<b>Balance, December 31, 2022</b>	<b>\$ 19,223,197</b>	<b>19,223,197</b>
Exploration expenditures	119,938	119,938
Total additions during period	119,938	119,938
<b>Balance, March 31, 2023</b>	<b>\$ 19,343,135</b>	<b>19,343,135</b>

**Exploration Property – Activities**

In the most recent work program carried out at Mitu, Midnight Sun has completed 17 drill holes totaling 3,559.25 metres of core.

***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.

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.

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

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**4. SUMMARY OF QUARTERLY RESULTS**

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

	Mar 31 2023 \$	Dec 31 2022 \$	Sept 30 2022 \$	June 30 2022 \$
<b>Financial results</b>				
Net loss for period	894,460	1,302,323	1,359,095	280,442
Basic & diluted loss per share	0.01	0.01	0.01	0.00
Exploration expenditures	119,938	911,319	667,290	37,666
<b>Statement of Financial Position</b>				
Cash	322,370	40,483	789,744	1,701,278
Exploration & evaluation assets	9,961,348	9,961,348	9,961,348	9,961,348
Total assets	10,849,128	10,694,764	11,711,610	12,580,999
Shareholders' equity	10,677,976	10,176,103	11,465,265	12,418,046

	Mar 31 2022 \$	Dec 31 2021 \$	Sept 30 2021 \$	June 30 2021 \$
<b>Financial results</b>				
Net loss for period	238,020	1,244,664	207,910	372,184
Basic & diluted loss per share	0.00	0.01	0.00	0.00
Exploration expenditures	34,659	46,473	29,502	31,347
<b>Statement of Financial Position</b>				
Cash	1,984,625	2,564,905	2,495,656	1,030,954
Exploration & evaluation assets	9,961,348	9,961,348	10,276,568	10,276,568
Total assets	12,880,263	13,164,943	14,340,724	12,621,937
Shareholders' equity	12,698,204	12,934,932	14,178,153	12,447,805

Factors which have caused period to period variations in total asset include the availability of equity funding, which is directly linked to working capital items. The Company incurred \$119,938 in property expenditures during the period ended March 31, 2023, and \$34,659 during the period ended March 31, 2022.

The net loss for the period ended March 31, 2023 of \$894,460 was primarily comprised of accounting and audit fees of \$28,500 (2022 - \$19,000), consulting fees of \$21,550 (2022 - \$17,348), exploration cost of \$119,938 (2022 - \$34,659), wages and benefits of \$88,780 (2022- \$84,482), office and miscellaneous of \$34,187 (2022 - \$20,889), legal fees of \$13,525 (2022 - \$13,197), share-based payments of \$522,993 (2022 - \$1,292), and allowance for doubtful accounts of \$3,865 (2022 - \$nil).

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**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 March 31, 2023.*

The Company's loss for the three months ended March 31, 2023, was \$894,460, or \$0.01 per share, as compared to a loss of \$203,361, or \$0.00 per share for the three months ended March 31, 2022. The increase was primarily related to exploration expenditures and share-based payments related to an option grant during the period. Exploration expenditures increased following the termination of the option agreement with Rio Tinto during the year ended December 31, 2022, as the Company operated the project itself in the latter half of the year.

Significant expenses during the three-month period ended March 31, 2023 consisted of accounting and audit fees, \$28,500 (2022 - \$19,000), consulting fees, \$21,550 (2022 - \$17,348), exploration costs, \$119,938 (2022 - \$34,659), investor and shareholder relations, \$37,575 (2022 - \$35,805), legal fees, \$13,525 (2022 - \$13,197), office services and miscellaneous, \$34,187 (2022 - \$20,889), regulatory and transfer agent fees, \$18,370 (2022 - \$20,203), share-based payments, \$522,993 (2022 - \$1,292), wages and benefits, \$88,780 (2022 - \$84,482), and allowance for doubtful accounts, \$3,865 (2022 - \$nil).

**6. LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2023, the Company had \$322,370 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 March 31, 2023, the Company had working capital of \$220,474. 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

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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.

**7. TRANSACTIONS WITH RELATED PARTIES**

The Company's related parties at March 31, 2023 consist of 8 officers and directors (and their related companies).

<b>Name of Related Party</b>	<b>Position at Sept 30, 2020</b>	<b>Nature of transaction</b>
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 March 31, 2023, \$13,690 (December 31, 2022, - \$122,124) 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. As at March 31, 2023, \$5,000 (December 31, 2022, - \$ 5,000) advanced to directors was included within advances and deposits.

*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 March 31, 2023, the investments were valued at \$0.15 (December 31, 2022 - \$0.15) per common share for a total value of \$525,000 (December 31, 2022 - \$525,000).

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*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 period ended March 31, 2023, the Company entered into an agreement whereby it increased the amount advanced to \$1,331,129 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 March 31, 2023, the Company recognized interest income of \$1,900 (2022 - \$13,642).

As at March 31, 2023, the Company has taken an allowance for doubtful accounts of \$1,331,129 (December 31, 2022 - \$1,327,264) on the Red Sea loans. As at the date of this report, the convertible debenture remains outstanding.

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 March 31, 2023, the Company entered into an amending agreement to extend the maturity of these loans to March 31, 2023. During the period ended March 31, 2023, the Company recognized interest income of \$582 (2022 - \$14,924) on the loans. During the period ended March 31, 2023, repayments of \$120,552 (December 31, 2022, \$60,435) were made on the loans.

A reconciliation of the Company's loans and debentures receivable as at March 31, 2023, and December 31, 2022:

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	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Opening balance	\$ 119,969	\$ 175,427
Additions	-	303,885
Interest accrued	2,482	66,108
Allowance for bad debt	(3,865)	(365,016)
Repayments	(120,552)	(60,435)
Foreign Exchange	1,966	-
	<b>\$ -</b>	<b>\$ 119,969</b>

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**8. KEY MANAGEMENT COMPENSATION**

Compensation paid or accrued to key management and/or their related companies during the three-months ended March 31, 2023, and 2022 is as follows:

Nature of Expenditure	For the Three Month Ended	
	2023	March 31, 2022
Wages and benefits	\$ 78,500	\$ 78,500
Consulting fees	43,050	23,348
Share-based payments	392,989	-
<b>Total</b>	<b>\$ 514,539</b>	<b>\$ 101,848</b>

Key management consists of those individuals having authority and responsibility for, directly or indirectly, planning, directing, and controlling the activities of the Company. Wages are paid to the Company's 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.

**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 March 31, 2023.

**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.

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**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.

*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:

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*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 March 31, 2023 and December 31, 2022 to interest rate risk through its financial instruments.

*Currency Risk*

Throughout the period ended March 31, 2023, 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 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 \$17,915 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 \$4,275. The Company also holds a convertible debenture from a related party with a pre-allowance balance of \$1,331,129 (December 31, 2022 - \$1,327,264), bearing interest of 4.75% and payable on January 11, 2023. The Company assessed expected credit losses based upon current credit information and during the three months period ended March 31, 2023, the Company took an allowance for doubtful accounts on the remaining loan receivable from a related party of \$3,865 (December 31, 2022 - \$ 365,016).

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*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 March 31, 2023, the Company had \$322,370 cash (December 31, 2022 – \$40,483) and current liabilities of \$131,152 (December 31, 2022 - \$478,661).

*Finance Risk*

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

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

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

The risks and uncertainties described in this section are not inclusive of all risks and uncertainties to which the Company may be subject.

*Early Stage – Need for Additional Funds*

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

*Political Risk*

The Company's operations and investments may be affected by local political and economic developments including: expropriation; nationalization; invalidation of governmental orders; permits or agreements pertaining to property rights; failure to enforce existing laws; failure to uphold property rights; political unrest; labour disputes; limitations on repatriation of earnings; limitations on foreign ownership; inability to obtain or delays in obtaining necessary mining permits; opposition to mining from local, environmental or other non-governmental organizations; government participation; royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations; taxation and changes in laws, regulations or policies; as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

*Location Risk*

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on exploration and evaluation assets.

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*Discovery Risk*

Resource property acquisition, exploration, development, and operation is a highly speculative business that involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of precious metals and other minerals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish economically viable mineral deposits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the acquisition, exploration, or development programs planned by the Company will result in a profitable commercial mining operation. The potential for any project to eventually become an economically viable operation depends on numerous factors including: the quantity and quality of the minerals discovered if any, the proximity to infrastructure, metal, and mineral prices (which vary considerably over time) and government regulations. The exact effect these factors can have on any given exploration property cannot accurately be predicted but the effect can be materially adverse.

*Environmental Risk*

Environmental laws and regulations may affect the operations of Midnight Sun. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Furthermore, the permission to operate could be withdrawn temporarily where there is evidence of serious breaches of health and safety, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damages caused by previous owners of acquired properties or non-compliance with environmental laws or regulations. The Company intends to minimize these risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to international environmental standards.

*Price Risk*

The market price of precious metals and other minerals is volatile and cannot be controlled.

*Conflicts*

The Company's directors and officers serve as directors or officers or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction.

*Dependence on Key Personnel*

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

*Competitive Risk*

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

## **14. COMMITMENTS**

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

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**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.

**16. DISCLOSURE OF OUTSTANDING SHARE DATA**

The table below presents the Company's common share data as of May 29, 2023.

	Price	Expiry date	May 29, 2023
Common shares issued and outstanding			<b>117,931,014</b>
Securities convertible into common shares:			
Stock Options	\$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
	\$0.21	March 10, 2028	3,300,000
<b>        Total Options</b>			<b>9,175,000</b>
Warrants	\$0.50	July 2, 2023	5,796,534
	\$0.30	January 5, 2025	4,685,000
	\$0.30	January 5, 2025	292,800
<b>        Total Warrants</b>			<b>10,774,334</b>
<b>Total options &amp; warrants outstanding</b>			<b>19,949,334</b>

**17. ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS**

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

**18. APPROVAL**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the 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](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**20. ADDITIONAL INFORMATION**

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