



MIDNIGHT SUN

MIDNIGHT SUN MINING CORP.

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**

FOR THE SIX MONTHS ENDED JUNE 30, 2014

As at August 25, 2014

MIDNIGHT SUN MINING CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Six Months Ended June 30, 2014

Introduction

The following management's discussion and analysis ("MD&A") of Midnight Sun Mining Corp. has been prepared as of August 25, 2014. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements ("Financial Statements") of Midnight Sun Mining Corp. and the notes thereto for the three and six month periods ended June 30, 2014, 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 in this MD&A are expressed in Canadian dollars except where 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 and was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSXV") Policy 2.4. On May 12, 2010, the Company completed a Qualifying Transaction. 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 their evaluation is complete. At June 30, 2014, the Company was in the exploration stage of activity on its optioned exploration permit licenses in Zambia, and the Financial Statements include the accounts of its subsidiary Midnight Sun Mining Zambia Limited, a company incorporated on October 29, 2013 under the laws of Zambia.

Financial Highlights for the Six Months Ended June 30, 2014

On May 30, 2014, Midnight Sun announced it had completed a private placement and issued 2,700,000 units ("Unit") at a price of \$0.125 per Unit for gross proceeds of \$337,500. Each Unit consisted of one common share and one transferable common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share of the Company prior to May 30, 2014 at a price of \$0.30. Finder's fees of \$5,000 were paid in cash and 40,000 broker's warrants were issued in connection with the private placement.

Operational Highlights for the Six Months Ended June 30, 2014

On February 12, 2014, the Company announced the results initial drilling on the Solwezi copper property in northwest Zambia which took place during the final two months of 2013. The initial drill program consisted of 1,700 meters of reverse circulation drilling ("RC") in a total of 16 drill holes; 8 drill holes on the 22 Zone where the previous operators had encountered high grade mineralization and 8 drill holes on regional anomalies.

During April and May, 2014 Midnight Sun conducted a 12 hole 739 metre core drill program on the Solwezi property. This drill program was designed to expand the area of high grade copper mineralization identified in early drilling and locate the primary copper mineralization. On June 26, 2014, the Company announced the results from this drill program, and although the primary source of copper mineralization was not discovered, all 12 holes demonstrated copper mineralization

Exploration and Evaluation Assets

Zambian Properties

On July 30, 2013, the Company, subject to TSXV approval, the Company entered into an Option Agreement with Kam Chuen Resource Holdings Ltd., to acquire a 60% interest in two mineral exploration permit licenses located near Solwezi, Zambia (the "Solwezi Licenses"). The TSXV approved the Option Agreement on December 6, 2013 (the "Approval Date").

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Pursuant to the Option Agreement, in order to earn a 60% interest the Company is required to incur \$3,666,667 of work expenditures, of which \$1,000,000 is a firm commitment, on the Solwezi Licenses over 4 years in accordance to the following schedule:

- a) \$1,000,000 of expenditures shall be incurred within 18 months of the Approval Date;
- b) a further \$1,333,333 of expenditures shall be incurred within 36 months of the Approval Date; and
- c) a further \$1,333,334 of expenditures shall be incurred within 48 months of the Approval Date.

Under the terms of the Option Agreement the Company is to issue to Kam Chuen a total of 15,333,333 common shares of the Company (the "Shares") according to the following schedule:

- a) 1,333,333 Shares (issued February 14, 2014) within 5 business days of the Approval Date;
- b) a further 4,000,000 Shares 18 months following the Approval Date; and
- c) a further 10,000,000 Shares 36 months following the Approval Date.

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

As at June 30, 2014, the Company had funded the following expenditures on the Solwezi Licenses:

Site and project expenditures	30-Jun-14	31-Dec-13
Acquisition costs	\$ 204,150	\$ 17,483
Assays	32,038	23,680
Diamond drilling	335,130	166,543
Field expenses	37,773	19,999
General & administration	802	302
Geological consulting	165,521	83,447
Travel and accommodation	43,924	27,924
	819,338	339,378
Drilling deposit	-	36,724
Total operations funded	\$ 819,338	376,102

In late 2013, the Company completed a 16 hole, 1,700 metre RC drill program on the Solwezi Licenses aimed at validating historic drill information; testing anomalous targets identified through soil sampling and testing the Kubufe copper-nickel anomaly. The initial 8 holes were drilled at the 22 Zone, where they confirmed a historic copper discovery, and the remaining 8 holes were drilled on geophysical and geochemical anomalies several kilometres from the 22 Zone, where no significant results were encountered.

During the three month period ended June 30, 2014, the Company completed a diamond drill program of over 739 metres in 12 holes at Solwezi. During the remainder of 2014, the Company plans to add to its understanding of the Solwezi Licenses through additional prospecting, surface sampling and geophysics followed up by drill testing of promising targets.

Namibian Properties – Klein Aub and Karas exploration properties

On October 19, 2011, and as amended on April 5, 2013, the Company entered into a series of option agreements with Ying Cheung Mining Industry Development Limited, a privately held Hong Kong corporation, whereby the Company acquired the option to earn a 60% interest in Logwood Investments (Pty), a Namibian corporation and owner of the Klein Aub and Karas properties in Namibia.

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The Company funded the following cumulative exploration expenditures on the Klein Aub property:

Site and project expenditures	31-Dec-13
Acquisition costs	\$ 185,000
Diamond drilling	599,622
Field expenses	415,541
Geochemical	35,811
Geological	94,802
Geophysical	16,061
Lease, licenses and taxes	10,437
Travel and accommodation	77,685
Total operations funded	1,434,958
Write-down	\$ 1,434,958

On October 19, 2013, the Company opted to not exercise its option. Accordingly, the Company wrote-down \$1,434,958 in acquisition and exploration costs at December 31, 2013.

Exploration Property Expenditures

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

	Klein Aub	Solwezi	Total
Balance, December 31, 2012	\$ 1,337,428	\$ -	\$ 1,337,428
Acquisition costs	-	17,438	17,438
Exploration expenditures	97,530	321,895	419,425
Costs written off	(1,434,958)	-	(1,434,958)
Balance, December 31, 2013	\$ -	\$ 339,378	\$ 339,378
Acquisition costs	-	186,667	186,667
Exploration expenditures	-	293,293	293,293
Balance, June 30, 2014	\$ -	\$ 819,338	\$ 819,338

Richard Mazur, P.Geo., Director of the Company, reviewed and approved the Exploration and Evaluation Assets descriptions in this Management's Discussion and Analysis.

Selected Annual Information

The following table summarizes selected financial information for the Company for each of its most recently completed financial years. The information set forth below should be read in conjunction with the audited financial statements. All information was prepared in accordance with IFRS.

	Year ended Dec 31, 2013	Year ended Dec 31, 2012	Year ended Dec 31, 2011
	\$	\$	\$
Total revenue	Nil	Nil	Nil
Net income (loss)	(1,722,230)	(484,295)	(984,617)
Basic and fully diluted income (loss) per share	(0.09)	(0.03)	(0.13)
Total assets	522,345	1,502,850	451,326
Total long term liabilities	Nil	Nil	Nil
Dividends declared	Nil	Nil	Nil

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The Company's net loss of \$1,722,230 for the year ended December 31, 2013 was primarily attributable to operating expenses of \$271,295 and the decision to abandon the optioned Namibian properties and recognize a write-down of \$1,434,958. The Company's net loss for the year ended December 31, 2012 of \$484,295 was mostly attributable to general operating expenses of \$321,374 and a stock-based compensation expense of \$141,658. During the year ended December 31, 2011, the Company wrote down evaluation and exploration assets totalling \$586,172 relating to the Arn property (\$386,172) and the Keno-Lightning property (\$200,000).

Overall Performance & Results of Operations

Three Month Period Ended June 30, 2014

The Company's loss for the three months ended June 30, 2014, was \$58,395, or \$0.002 per share, as compared to a loss of \$64,738, or \$0.004 per share for the three months ended June 30, 2013. Despite increased Zambian drilling activities, general and administrative expenditures in 2014 were lower than the comparative period. Decreases in accounting and audit fees (\$12,800 in 2014 versus \$13,404 in 2013), legal fees (\$871 in 2014 versus \$4,897 in 2013), consulting fees (\$nil in 2014 versus \$9,133 in 2013), office services and miscellaneous expenses, (\$8,724 in 2014 versus \$9,946 in 2013) and share-based payments of (\$nil in 2014 versus \$12,871 in 2013) were off set with small increases during the three month period ended June 30, 2014 compared to 2013, as follows: increase of \$3,087 in investor and shareholder relations costs, increase of \$13,960 in travel and accommodation and of \$3,229 in wages and benefits.

The Company's use of \$97,155 in cash for operating activities and \$188,524 in cash for exploration and evaluation investments was off-set by \$329,963 cash provided from the private placement, for a net increase in cash of \$44,285 during the three months ended June 30, 2014.

Six Month Period Ended June 31, 2014

The Company's loss for the six months ended June 30, 2014, was \$126,252, or \$0.005 per share, as compared to a loss of \$138,601, or \$0.008 per share for the six months ended June 30, 2013. Despite increased drilling activities in Zambia, general and administrative expenditures during the period were similar to the comparative period, with small increases in some areas, such as \$7,698 in accounting and audit fees, \$9,133 in consulting fees and \$5,113 in legal fees, off-set by similar decreases in other areas, such as \$3,227 in investor and shareholder relations fees, \$4,769 in office services, \$3,750 in share-based payments and \$4,393 in wages and benefits.

The Company used \$132,881 in cash for operating activities and \$251,368 in cash for exploration and evaluation investments, while financing activities provided & \$329,963 in cash, for a net use of cash of \$54,286 during the six months ended June 30, 2014.

Summary of Quarterly Results

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

	June 30, 2014 \$	Mar 31, 2014 \$	Dec 31, 2013 \$	Sept 30, 2013 \$	June 30, 2013 \$	Mar 31, 2013 \$	Dec 31, 2012 \$	Sep 30, 2012 \$
Financial results								
Net loss for period	58,395	67,857	42,312	1,541,417	64,738	73,863	72,898	44,256
Basic & diluted loss per share	0.00	0.00	0.00	0.09	0.01	0.00	0.01	0.00
Exploration expenditures	213,291	266,669	279,468	68,966	55,540	15,451	31,358	502,608
Statement of Financial Position								
Cash	69,555	25,270	123,840	2,609	33,869	29,704	65,853	133,649
Exploration & evaluation assets	819,338	606,047	339,378	20,000	1,408,419	1,352,879	1,337,428	1,314,470
Total assets	911,438	672,355	522,345	100,629	1,514,052	1,406,740	1,502,850	1,553,940
Shareholders' equity	829,139	557,571	385,356	(247,353)	1,282,542	1,334,409	1,407,901	1,499,151

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During the quarter ended September 30, 2013, the Company recorded a \$1,457,385 mineral property write-down expense relating to the Properties in Namibia. This amount was reduced by \$22,427 during the quarter ended December 31, 2013 leaving a net write down of \$1,434,958 related to the Namibian Properties. During the quarter ended June 30, 2012, the Company recorded a stock-based compensation expense of \$157,520. Exploration expenditures in the quarters ended June 30, 2012 to June 30, 2013 relate to work done on the Klein Aub property. Exploration expenditures in the quarters ended December 31, 2013, March 31, 2014 and June 30, 2014 relate to work done on the Solwezi property

Liquidity

As at June 30, 2014, the Company had \$69,555 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 June 30, 2014, the Company had working capital of \$9,801 and an accumulated deficit of \$3,762,438. In the opinion of management this working capital is insufficient to support the Company's near term general administrative and corporate operating requirements on an on-going basis. In order to complete the required work expenditures under the Option Agreement and fund administrative costs, further funds will be required and the Company is likely to raise such funds from the issuances of units and shares.

Liquidity Outlook

At present, the Company's operations do not generate cash inflows and its cash position is highly dependent on the ability to raise cash through financings and expenditures on its exploration programs. In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, 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 a number of factors, including the progress of exploration activities.

Additional funds will be required to fulfil obligations under the Option Agreement and cover general administrative and corporate operating requirements. Given volatility in equity markets, global uncertainty in economic conditions, 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 does not have sufficient capital at this time to fulfil its obligations under the Option Agreement or to meet its administrative overhead expenses for the next twelve months and does not have any alternative funding arrangements in place. If the Company is unable to raise required capital it will not fulfil obligations under the Option Agreement or continue to operate.

Going Concern

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Several material uncertainties may cast a significant doubt on the validity of this assumption. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its exploration and evaluation asset projects. The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its mineral projects by issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its exploration and evaluation assets. As at June 30, 2014, the Company had an accumulated deficit of \$3,762,438 and had working capital of \$9,801. In the opinion of

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management current working capital is insufficient to support the Company's general administrative and corporate operating requirements on an on-going basis for the next 12 months. Until additional funds are secured, the Company does not have resources to fund further exploration expenditures. Management plans to continue to secure the necessary financing through the issuance of new equity instruments and/or entering into joint venture arrangements. However, there is no assurance that the Company will be successful in these actions.

If the going concern assumption was not appropriate for the Financial Statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement financial position classifications used. Such adjustments could be material.

Commitments

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company's related parties at June 30, 2014 consist of 7 officers and directors (and their related companies).

Name of Related Party	Position at June 30, 2014	Nature of transaction
Allan J. Fabbro	Director	Director
Adrian Karolko	Director (Zambia sub)	Geological consulting
Mathew Mackenzie	Secretary	Corporate secretary
Richard J. Mazur / Mirador Management	Director	Director
Wayne Moorhouse	CFO	Management services
Robert A. Sibthorpe / 069426 BC Ltd	President, CEO & director	Management services
Tom Ye / Jager Consulting Ltd / Gold Vista Properties	Director	Director / consulting

The following amounts were incurred or paid to related parties and/or their related companies during the three and six months ended June 30, 2014 and 2013:

Nature of Expenditure	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Consulting fees	-	\$19,800	-	\$19,800
Exploration & evaluation asset expenditures				
Field expenses	-	\$39,000	-	\$39,000
Geological consulting	\$12,000	-	\$20,500	-
Share-based payments	-	-	\$29,130	-
Office and administrative	-	\$3,84	-	\$7,168
Share-based payments	-	-	\$14,565	-
Wages and benefits	\$6,000	\$6,000	\$12,000	\$14,000
Total	\$18,000	\$68,484	\$58,195	\$79,968

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Compensation paid or accrued to key management and/or their related companies during the three and six months ended June 30, 2014 and 2013 is as follows:

Key management	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Fees	\$12,000	\$46,800	\$20,500	\$46,800
Share-based payments	-	-	\$14,565	-
Total	\$12,000	\$46,800	\$35,065	\$46,800

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

In January 2013, the Company settled \$38,593 due to a former related party via the exchange of equipment with a book value of \$47,008.

Included on the statement of financial position at June 30, 2014, is \$44,212 (December 31, 2013 - \$62,439) due to officers, directors or companies with a director in common for cash advances, unpaid geological consulting fees, unpaid wages and unpaid expenses. Also included in the statement of financial position at June 30, 2014, is \$3,000 (December 31, 2013 - nil) due from a company controlled by officers and directors of the Company.

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.

Critical Accounting Estimates

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy to capitalize exploration costs is consistent with IFRS and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies that have not established mineral reserves. An alternative policy would be to expense exploration costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier reviews if circumstances warrant, in the event that the long-term expectation is the net carrying amount of capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Changes in Accounting Policies

As of January 1, 2014, the Company adopted several new IFRS standards and amendments in accordance with the transitional provisions of each standard. Adoption of these standards did not have a significant impact of the Company's consolidated financial statements. A brief description of each new standard and its impact, if any, on the Company's consolidated financial statements follows:

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Amendments of IAS 32 – Presentation of financial statements. The amendments clarify certain aspects of the standard because of diversity in application of the requirements on offsetting financial assets and financial liabilities, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Amendments of IAS 36 – Impairment of assets. The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Amendments of IAS 39 – Financial instruments. The amendments clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

Financial and Other Instruments

Financial Instruments – Recognition and Measurement

Financial instruments include cash, receivables (including amounts receivable from joint venture and option partners), accounts payable and accrued liabilities (including amounts payable to joint venture partners) and amounts due to related parties.

The Company has designated each of its significant categories of financial instruments as follows:

Cash	Fair value through profit or loss
Receivables	Loans and receivables
Amounts due to related parties	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities

Fair value adjustments, if any, are not reasonably determinable by management as comparable interest rate and risk profiles are not available.

Fair value measurement disclosure includes classification of financial instrument fair values in a fair value 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.

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Fair Value

The carrying value of receivables, accounts payable and accrued liabilities, and amounts due to related parties approximated their fair value because of the short-term nature of these instruments. Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows:

June 30, 2014	Level 1	Level 2	Level 3	Total
Assets held for trading				
Cash	\$ 69,555	\$ -	\$ -	\$ 69,555
December 31, 2013				
Assets held for trading				
Cash	\$ 23,840	\$ -	\$ -	\$ 23,840

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 below.

Financial Risks and Uncertainties

Interest rate risk

The Company had non-material exposure at June 30, 2014 and December 31, 2013 to interest rate risk through its financial instruments.

Currency Risk

As at June 30, 2014 and December 31, 2013, all of the Company's cash was held in Canadian dollars, the Company's functional and reporting currency.

Credit risk

The Company has some cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest 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.

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

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 June 30, 2014, the Company had a cash balance of \$69,555 (December 31, 2013 - \$123,840) to settle current liabilities of \$82,299 (December 31, 2013 - \$136,989). The Company's current working capital is insufficient to support the Company's near term general administrative and corporate operating requirements on an on-going basis.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year:

- Cash includes deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would not materially affect the net loss;
- The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

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.

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Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

Non-Financial Risks and Uncertainties

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to mineral exploration companies or companies with a similar business model. The industry is cash intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rate fluctuations, inflation and other risks. The Company currently has no source of revenue other than interest on its cash balances. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

For more information of the Risks and Uncertainties to which the Company may be subject please refer to the Company's MD&A for the financial year ended December 31, 2013.

Share Capital Information

The table below presents the Company's common share data as of August 25, 2014.

	Price	Expiry date	Aug 21, 2014
Common shares, issued and outstanding			25,961,016
Securities convertible into common shares:			
Stock Options	\$0.155	April 5, 2018	100,000
	\$0.25	July 1, 2015	250,000
	\$0.25	June 30, 2015	315,000
	\$0.25	May 31, 2017	750,000
	\$0.25	January 23, 2019	550,000
Total Options			1,965,000
Warrants	\$0.30	May 6, 2015	2,564,350
	\$0.30	May 26, 2015	1,765,000
	\$0.30	May 29, 2016	2,700,000
Broker Warrants	\$0.30	May 26, 2015	110,400
	\$0.30	May 29, 2016	40,000
Total Warrants			7,179,750
Total options & warrants outstanding			9,144,750

Dividends

Midnight Sun has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and. Any future determination to pay dividends will be at the discretion of the Board of Directors of Midnight Sun and will depend on Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deem relevant.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures "(DC&P)" and internal control over financial

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reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Nature of the 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.

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 has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning Midnight Sun's general and administrative expenses and exploration and evaluation assets expenditures is provided in the Company's Financial Statements as at and for the period ended June 30, 2014. These Financial Statements are available on SEDAR at www.sedar.com.

Additional Information

Additional information is available on SEDAR at www.sedar.com.

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

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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.