

# **MIDNIGHT STAR VENTURES CORP.**

## **Management's Discussion and Analysis**

**For the Three Months Ended**

**July 31, 2018**

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

**INTRODUCTION**

The following discussion and analysis, prepared as of September 21, 2018 has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's comparatives amounts in this MD&A have been presented in accordance with IFRS. All amounts are stated in Canadian dollars unless otherwise indicated.

The following information should be read in conjunction with the condensed interim financial statements for the three months ended July 31, 2018 and the audited financial statements for the year ended April 30, 2018, and the related notes to those financial statements, all of which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of 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 such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under **RISK AND UNCERTAINTIES** in this MD&A.

Risk factors that could affect the Company's future results include, but are not limited to, risks inherent in mineral exploration and development and mining activities in general, volatility and sensitivity to market prices for commodities, changes in government regulation and policies including environmental regulations and reclamation requirements, receipt of required permits and approvals from governmental authorities, competition from other companies, ability to attract and retain skilled employees and contractors, and changes in foreign currency exchange rates. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the Company's filings with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

**NATURE OF BUSINESS AND OVERALL PERFORMANCE**

Midnight Star Ventures Corp (the "Company") was originally incorporated under the Business Corporations Act of British Columbia on April 19, 2013. The principal business of the Company is the acquisition and exploration of resource properties in North America.

The address of the Company's corporate office and principal place of business is Suite 1085 - 555 Burrard Street, Two Bentall Centre, P.O. Box 201, Vancouver BC, V7X 1M8.

On August 4, 2015, the Company listed on the Canadian Securities Exchange ("CSE"), and trades under the symbol "STV".

As at July 31, 2018, the Company held cash of \$40,439 compared to \$357,328 at April 30, 2018.

As at July 31, 2018 deferred financing costs incurred pursuant to the proposed transaction aggregated \$273,806 compared to \$Nil at April 30, 2018.

Amounts capitalized into exploration and evaluation assets at July 31, 2018 and April 30, 2018 totaled \$137,486.

As of July 31, 2018, the Company is earning its interest in the Fish property; located in Esmeralda County, Nevada, USA. It lies on the eastern flank of Lone Mountain about 20 airline kilometres (12 airline miles) west of the historic mining town of Tonopah, Nevada. The property occupies all or part of sections 1, 2, 3, 10, 11, and 12 of Township 2 North, Range 40 E, and sections 34, 35, and 36, Township 3 North, Range 40 East., MDB&M, in the Lone Mountain Mining District, Esmeralda County, Nevada. The land holding is made up of 56 unpatented mining claims and covers about 1120 acres (453 hectares).

**SELECTED ANNUAL INFORMATION**

The following financial data prepared in accordance with IFRS stated in Canadian dollars is presented as at April 30, 2018, 2017, 2016 and 2015:

	<b>Year Ended April 30 2018</b>	<b>Year Ended April 30 2017</b>	<b>Year Ended April 30 2016</b>	<b>Year Ended April 30 2015</b>
Total revenue	\$ -	\$ -	\$ -	\$ -
Net loss for the year	\$ (210,435)	\$ (136,189)	\$ (162,710)	\$ (241,702)
Basic and diluted loss per share	\$	\$	\$	\$
Total Assets	\$ 498,514	\$ 114,605	\$ 115,066	\$ 100,851
Total Liabilities	\$ 45,762	\$ 225,421	\$ 89,693	\$ 75,681
Cash Dividends per share	\$ -	\$ -	\$ -	\$ -

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JULY 31, 2018**

	<b>THREE MONTHS ENDED JULY 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Expenses</b>		
Communications	\$ 181	\$ 967
Depreciation	-	165
Interest on notes payable	-	2,801
Management fees	9,000	9,000
Office and miscellaneous	87	51
Professional fees	15,473	19,715
Promotion	1,591	-
Regulatory and filing fees	5,079	1,910
Rent	3,000	3,000
Travel	244	-
	<u>34,655</u>	<u>37,609</u>
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (34,655)</b>	<b>\$ (37,609)</b>
<b>Loss Per Share, Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>26,643,768</b>	<b>14,561,935</b>

The Company incurred a net loss and comprehensive loss of \$34,655 during the three months ended July 31, 2018, compared to a net loss and comprehensive loss of \$37,609 for comparative three month period ended July 31, 2017.

The most significant differences in expenses incurred during the three month periods ended July 31, 2018 and 2017 are discussed below:

Communication costs decreased to \$181 (2017 – \$967) as a result of decreased communications activity.

Depreciation decreased to \$Nil (2017 - \$165), a result of the capital assets having been fully depreciated in the prior year..

Interest on notes payable decreased to \$Nil (2017 - \$2,801) a result of the settlement of all notes payable during the prior fiscal year, thereby eliminating interest charges incurred for the current period.

Professional fees decreased to \$15,743 (2017 - \$19,715) a result of the company incurring significant non-routine legal fees in the prior period pursuant to the reverse takeover transaction (see Proposed Transaction).

Promotion increased to \$1,591 (2017 - \$Nil) a result of increased promotional activity by management.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

Regulatory and filing fees increased to \$5,079 (2017 - \$1,910) a result of increased filing fees being incurred.

All other expenses were generally consistent with the amounts incurred in the comparative period.

During the three month period ended July 31, 2018, the Company incurred no exploration or evaluation expenditures on the Fish Property.

The Fish Property

The Fish Project is owned by Claremont Nevada Mines LLC. Midnight Star entered into a new option agreement dated August 28, 2016 (the "New Agreement") with Claremont Nevada Mines LLC under the terms of which Midnight Star has an option to acquire up to a 100% interest in the Fish Project. This agreement replaces the original earn-in agreement between Midnight Star and Pengram Corporation, under the terms of which Midnight Star had the option to acquire up to an 80% interest in the Fish Project. On September 11, 2018, the option agreement was amended. The amendment provided for the final payment originally due on August 28, 2018 to be extended to October 28, 2018. No other terms of the agreement were amended.

The New Amended Agreement provides that the Company can acquire a 100% interest in the claims by making staged advance royalty payments as follows:

- i) Cdn\$2,860 (US\$2,500) on or before February 28, 2014 (paid);
- ii) Cdn\$2,756 (US\$2,500) on or before August 28, 2014 (paid);
- iii) Cdn\$9,866 (US\$7,500) on or before August 28, 2015 (paid);
- iv) Cdn \$2,623 (US\$2,000) on or before August 28, 2016 (paid);
- iv) Cdn\$10,660 (US\$8,000) on or before October 12, 2016 (paid);
- v) Cdn\$15,600 (US\$12,500) on or before August 28, 2017 (paid);
- iv) Cdn\$19,260 (US\$15,000) on or before October 28, 2018.

In addition to the advanced royalty payments, the Company must deliver \$1,000 and either a copy of a mine plan or final feasibility study on or before August 28, 2018. If the Company cannot meet these requirements, the option may be extended for an additional five years. If the option is extended, the Company will be required make an advance royalty payment of \$16,050 (US\$12,500) on August 28, of each year of the extended term.

In addition to the above, the Company has the obligation to maintain the mineral lode claims in good standing by payment of all Bureau of Land Management Fees, Claim Fees, Taxes and Rentals, and the performance of all other actions which may be necessary in that regard in order to keep the mineral claims free and clear of all liens and other charges arising from the Company's activities except those at the time contested in good faith by the Company.

The agreement is subject to a 3% Net Smelter Returns Royalty upon commencement of commercial production.

During August 2018, the Company incurred \$12,541 (US\$9,627) of claim maintenance fees on the property.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

During the three months ended July 31, 2018, the Company incurred no expenses on the property.

During the year ended April 30, 2018, the Company incurred \$15,600 (US\$10,000) in advance royalty payments and \$12,015 (US\$10,485) of claim maintenance fees on the Fish Property.

During the year ended April 30, 2017, the Company incurred \$13,283 (US\$10,000) in advance royalty payments and \$11,588 (US\$8,835) of claim maintenance fees on the Fish Property. The Company also made exploration advances of \$874 (US\$672).

During the year ended April 30, 2016, the Company paid the advance royalty payment of \$9,866 (US\$7,500) and incurred additional sustaining costs for the property aggregating additional sustaining costs aggregating \$32,748 (US\$24,772).

During the year ended April 30, 2015, the Company incurred \$2,756 (US\$2,500) in advance royalty payments, \$16,561 (US\$14,621) to complete a 43-101 report on the property and \$10,222 (US\$9,024) in claim maintenance fees.

During the year ended April 30, 2014, the Company incurred \$2,860 (US\$2,500) in advance royalty payments, and \$9,113 (US\$8,433) in claim maintenance fees.

*Discussion of the Fish Property*

Complete details of prior exploration and the geological features of the Fish Property have been presented in the Company's long form prospectus which was filed on SEDAR of May 8, 2015.

*Continued Exploration and Development*

The Company commissioned its own NI43-101 compliant technical report by David R Shaddrick, M.Sc., CPG, P.Geol. dated October 29, 2014 which was filed on SEDAR on February 25, 2015. This report recommended a two phase exploration program.

The Company commenced the first phase during the current period as recommended by the author of the Technical Report. The first phase consisted of detailed geological mapping and soil/rock chip sampling on three currently identified, broadly defined, target areas.

The land holding should be expanded on the west side of the property to cover any possible extensions of into the gap in claims. This will require the acquisition of one additional claim. The Company has completed Phase 1 of its work program on the Fish Project as outlined in Midnight Star's 43-101 Technical Report on the Fish Project. Phase 1 consisted of detailed geological mapping and soil/rock chip sampling and the staking an additional claim. Management is currently evaluating the results of the exploration program and determining the best course of action for Midnight Star going forward.

A second phase exploration program will only be undertaken if, after data has been compiled, management including the Company's qualified person, determine that the results obtained from Phase I work are sufficiently positive in demonstrating the possible presence of a mineral deposit to warrant additional expenditures. Phase 2 exploration

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

would include the collection of drill samples and should it go ahead is expected to cost approximately \$107,000.

**Summary of Quarterly Results**

The following is a summary of the Company's quarterly results for the period from August 1, 2016 to July 31, 2018 reported in Canadian currency.

	QUARTER ENDED			
	JULY 31, 2018	APRIL 30, 2018	JANUARY 31, 2018	OCTOBER 31, 2017
Total revenue	\$ -	\$ -	\$ -	\$ -
Net loss before income taxes	\$ (34,655)	\$ (85,929)	\$ (40,118)	(46,779)
Net income (loss) for the period	\$ (34,665)	\$ (85,929)	\$ (40,118)	(46,779)
Basic income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	(0.00)

	QUARTER ENDED			
	JULY 31, 2017	APRIL 30, 2017	JANUARY 31, 2017	OCTOBER 31, 2016
Total revenue	\$ -	\$ -	\$ -	\$ -
Net loss before income taxes	\$ (37,609)	\$ (45,469)	\$ (24,004)	\$ (36,427)
Net income (loss) for the period	\$ (37,609)	\$ (45,469)	\$ (24,004)	\$ (36,427)
Basic income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

The Company reported a net loss of \$34,655 for the three month period ended July 31, 2018 compared to \$37,609 for the comparable three month period ended July 31, 2017. The basic loss per share for the three month period ended July 31, 2018 was (\$0.00) versus (\$0.00) for the comparable period of 2017.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company is engaged in mineral exploration and has no cash flow from operations.

The Company must rely on equity financing, loans and/or advances to meet its administrative and overhead expenses and to pursue its objectives. At July 31, 2018 the Company held cash of \$40,439, (April 30, 2018 - \$357,328), had amounts recoverable, consisting of Goods and services tax recoverable of \$7,952 (April 30, 2018 - \$3,700), prepaid expensed comprising management fees paid in advance of \$3,150 (April 30, 2018 - \$Nil) and had deferred financing costs comprising legal and professional fees, consultancy fees for valuation services, filing fees and a payment to BioHarvest of \$129,436 (US\$ - 100,105) aggregating \$273,806 (April 30, 2018 - \$Nil). The Company had current liabilities of \$42,140 (April 30, 2018 - \$45,762). At April 30, 2018, the Company's working capital was \$9,401 (April 30, 2018 - \$315,266).

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

On August 1, 2018, the Company issued 25,960 common shares upon the exercise of 25,960 Agents options at \$0.10 each.

During the year ended April 30, 2018, the Company completed a Private Placement Offering and issued 8,500,000 common shares at a price of \$0.0675 per Share for total proceeds of \$573,750. Pursuant to the financing the Company paid commissions or finders fees to registered brokers of \$44,181. The proceeds of the offering will be used for working capital purposes.

During the year ended April 30, 2018, 81,841 Agents Options were exercised at a price of \$0.10 for gross proceeds of \$8,184.

Pursuant to settlement agreements entered into on September 13, 2017 and September 27, 2017, to settle notes payable and accrued interest aggregating \$183,487 and accounts payable and accrued liabilities of \$61,718 the Company issued 3,499,992 common shares with a deemed price of \$0.0675 and made a cash payment of \$7,778.

On March 28, 2018, the Company settled a note payable with a face value of \$10,000 by cash settlement of \$10,685 including \$685 of accrued interest.

During February 2016, the Company received a short term unsecured, non-interest bearing advance from the President of \$12,000, which on April 25, 2016, was applied as the subscription proceeds upon the exercise of share purchase warrants resulting in the issuance of 240,000 common shares during the 2016 fiscal year.

On August 5, 2015, the Company completed its Initial Public Offering ("IPO") by issuing 2,057,800 common shares at \$0.10 for aggregate proceeds of \$205,780. Wolverton Securities Ltd. ("The Agent") acted as Agent under the Offering. The Agent received a total commission equal to \$20,578, being 10% of the gross proceeds; 100,000 common shares; and 205,780 Agents Options.

The Company believes that the current capital resources are not sufficient to pay for continued mineral exploration and overhead expenses for the next twelve months and will need to seek additional funding or seek joint venture partners on its project. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the issuance of shares or the exercise of options, warrants and loans to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

As at July 31, 2018, the primary assets of the Company comprise cash of \$40,349, other receivable comprising GST recoverable of \$7,952, prepaid expenses of \$3,150, deferred financing costs of \$273,806 and its mineral property holding which is valued at \$137,486. As of July 31, 2018, the Company had a working capital of \$9,401.

Financings and share issuances which occurred prior to the IPO and the financing noted above were as follows:

- a) On December 22, 2014, the Company received notice of the exercise of all the convertible promissory notes issued in September, 2014 and on November 22, 2014.



**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

The carrying amount of the promissory notes, including accrued interest, of \$86,707 was exchanged at an issue price of \$0.05 per share for 1,734,134 common shares of the Company and the common shares were issued to the convertible promissory note holders.

- b) On January 16, 2015, pursuant to a non-brokered private placement, the Company issued 600,000 common shares at \$0.05 per share for aggregate proceeds of \$30,000.
- c) On January 16, 2015, the President exercised 1,250,000 warrants for aggregate proceeds of \$6,250 and the Company issued 1,250,000 common shares.
- d) During the year ended April 30, 2014, the Company issued 6,580,000 common shares at \$0.02 per share on April 30, 2014 for aggregate proceeds of \$131,600 pursuant to a non-brokered private placement.

**CAPITAL RESOURCES**

The Company's capital resources consist of its interest in the Fish property, which has been valued at \$137,486 at July 31, 2018. This amount is the equivalent of the amounts recorded as exploration and evaluation assets at July 31, 2018. During August 2018, an additional \$12,541 (US\$9,627) of claim maintenance fees were incurred on the property, resulting in the Fish Property being valued at \$150,027 as of September 21, 2018.

**OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements to which the Company is committed.

**TRANSACTIONS WITH RELATED PARTIES**

Related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

As at July 31, 2018, prepaid expenses include \$3,150 (April 30, 2018 – Nil) for management fees paid in advance to a company controlled by the President, and deferred financing costs include \$4,700 (April 30, 2018 - \$Nil) for professional fees paid to a company controlled by an officer of the Company. Accounts payable and accrued liabilities include \$Nil (April 30, 2018 - \$3,150) for management fees charged by a company controlled by the President and \$7,885 (April 30, 2018 - \$4,000) for services rendered to the Company by a company controlled by an officer of the Company.

During the three month periods ended July 31, 2018 and 2017, the Company also incurred the following expenses charged by key management personnel and companies directly controlled by key management personnel.

- a) Paid or accrued management fees of \$Nil (2017 - \$9,000) to the Company President, David Ryan.
- b) Paid or accrued management fees of \$9,000 (2017 - \$Nil) to a Company controlled by the Company President.
- c) Paid or accrued professional fees of \$13,400 (2017 - \$5,500) to a company controlled by Matthew Wright, the Company CFO.

**NEWLY ADOPTED ACCOUNTING STANDARDS**

International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and Fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income.

The revised standard was adopted effective May 1, 2018. The adoption of the revised standard had no material effect upon the financial statements of the Company.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at July 31, 2018, the Company's financial instruments consist of cash, deferred financing costs and accounts payable and accrued liabilities,

The fair value of these financial instruments approximate carrying value since they are short term in nature and are receivable or payable on demand.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company's credit risk is primarily attributable to its holdings of cash. Cash, is held with one reputable Canadian chartered bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash, short-term investments and amounts receivable is minimal.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to manage liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period and the Company had sufficient liquidity to meet these obligations.

c) Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and short-term investment is limited because the majority of the Company's cash and short-term investment balances are held by a Canadian chartered bank and the convertible notes payable are subject to a fixed interest rate.

ii) Foreign Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar ("CDN\$"). Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company holds an interest in 56 unpatented mining claims located in the USA and the advance royalty agreement is denominated in the US Dollar ("USD\$"). As a result the Company is subject to foreign currency and exchange risk on the translation of these transactions and year end balances to the reporting currency. Any gains or losses arising in the period are included in operations for the year.

As at July 31, 2018, a 1% strengthening in the USD relative to the CDN\$ does not have a significant impact on the net loss for the year or the future estimated cash flows arising to complete the acquisition of the property.

iii) Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off to net income in the period the new information becomes available.

ii) Impairment

At each reporting period, assets, specifically exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

iii) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7 to the quarterly financial statements.

iv) Title to Mineral Property Interest

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, and title may be affected by undetected defects.

v) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

vi) Rehabilitation Provision

The application of the Company's accounting policy for rehabilitation is based on internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management.

Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time when the rehabilitation costs are actually incurred.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

vii) Determination of Going Concern Assumption

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as previously discussed.

**SUBSEQUENT EVENTS**

Subsequent to July 31, 2018:

- a) The Company issued 25,960 common shares pursuant to the exercise of 25,960 Agents options for gross proceeds of \$2,596
- b) Agents options to acquire 97,979 common shares at \$0.10 expired unexercised.
- c) The Mineral Property option agreement was amended such that the payment originally due on August 28, 2018 was extended to October 28, 2018. No other terms of the agreement were amended.
- d) Deferred exploration expenses of \$ \$12,541 (US\$9,267) were incurred relating to the settlement of claims maintenance fees.

**PROPOSED TRANSACTION**

On April 19, 2018, the Company entered into a Share Purchase Agreement (The "SPA") with BioHarvest Ltd. ("BioHarvest") whereby, subject to shareholder and regulatory approval, the Company will acquire a 100% interest in Dolarin Ltd. ("Dolarin"), a controlled subsidiary of BioHarvest.

Pursuant to the agreement the Company will issue common shares to BioHarvest equal to 50% of the current issued and outstanding share capital of the Company. As a result of the agreement Midnight will become the sole shareholder of Dolarin, and BioHarvest will control the Company. The completion of this transaction will constitute a Reverse Takeover of the Company by Dolarin.

As a condition of the Transaction a Financing will be conducted by the Company to ensure the Company holds the requisite Net Cash Amount of US\$2,000,000 prior to closing of the transaction. The Company will undertake a financing of up to \$3,300,000 by issuing up to 22,000,000 Units at a subscription price of \$0.15 per Unit. Each Unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant is exercisable into one common share of the Resulting Issuer at an exercise price of \$0.23 for a period of 24 months following the closing of the Transaction. Agents were retained for the Financing. The Agents will receive a cash commission of 5% of the gross proceeds and broker's warrants equivalent to 5% of the number of Units issued. Each broker's warrant is exercisable into one common share of the Company at \$0.23 for a period of 24 months following closing.

As compensation for brokering the transaction the Company will pay \$109,395 (US\$85,000) and issue common shares equivalent to 3% of the number of shares issued to BioHarvest to an unrelated 3rd party.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

The Transaction also provides for the Company to adopt a Stock Option plan whereby Employee Stock Option Plan ("ESOP") shares shall constitute 10% of the issued and outstanding share capital of the Company. Such stock options shall be granted immediately upon closing and vest over a 2-year period on a quarterly basis to employees of Dolarin.

On April 19, 2018, BioHarvest and Dolarin entered into a Licence Agreement, which has an effective date of the closing of the Transaction. Pursuant to the licence agreement Dolarin shall acquire certain worldwide, non-transferable, royalty bearing licences in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets.

Dolarin shall acquire the licences for the following consideration:

- a) The issuance of 900,000 common shares of Dolarin to BioHarvest.
- b) The payment of \$205,920 (US\$160,000) in 16 equal monthly payments of \$12,870 (US\$10,000) commencing on the effective date.
- c) The payment to BioHarvest of a milestone payment comprising \$1,081,080 (US\$840,000) upon the commencement of construction of the first manufacturing facility for relevant licenced product.

On April 19, 2018, BioHarvest and Dolarin also entered into a Services Agreement with an effective date of the closing of the Transaction. Pursuant to the Servicing Agreement Dolarin will contract BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology for the field of cannabis including the equipment, materials, facilities and personnel. The initial period of the agreement shall be for 16 months, from closing of the transaction at a budgeted cost of \$1,979,406 (US\$1,538,000). Further expenditures may be required if the objectives of the research are not met during the initial period.

During the three months ended July 31, 2018, the Company has incurred certain costs pursuant to the closing of the transaction. Such cost comprising, legal and professional fees, consultancy fees for valuation services, filing fees and a payment to BioHarvest of \$129,436 (US\$ - 100,105) which aggregated \$273,806 have been categorized as deferred financing costs as at July 31, 2018.

Under the terms of the Transaction the board of directors of Midnight Star will consist of six persons with half the Board to be nominated by Bioharvest. The following persons have been nominated by Bioharvest:

Dr. Zaki Rakib, Ph.D., serves as the Co-Founder and Executive Chairman of Bioharvest. He has extensive experience within the software, telecommunications hardware, semiconductors, cellular operations and bioscience categories, where he has spearheaded the development of multiple cutting-edge innovations. Leveraging his foundation in technical sciences, Dr. Rakib was one of the first leaders in the telecommunications industry. He co-founded Terayon Communication Systems, invented the first cable modem, and S-CDMA technology. Dr. Rakib holds Bachelor of Science, Master of Science, and Ph.D. degrees in Engineering from BenGurion University in Israel.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

Mrs Vivien Rakib holds a B.Sc in Math and computer science. She had extensive experience in Software development for fortune 100 companies primarily in Silicon Valley California including Sun Microsystems and Phillips semiconductors. Mrs. Rakib is an investor in high-tech and in biotech. Most noteworthy are Shaker (where she also served as a board member) who was acquired by Play-Studios and Bioharvest where she is currently the largest shareholder and a board member. Mrs Rakib also serves on the board of 2 NGO's.

Initially at closing, the capacity of the Board is four members and the above two persons will be appointed with a third member to be appointed at the next general meeting of Midnight Star after the board capacity is increased to six members. In addition, Midnight Star will appoint Liron Carmel as a director Midnight Star. Mr. Carmel is a businessman based in Israel with experience in management of technology companies. He is currently the Chairman of Smart Energy Solutions Inc. and is a former Chairman of Emerald Medical Applications Corp. It is anticipated the current directors Shane Epp and Bernie Hoing will resign to make room for the appointments. David Ryan will continue as a director of Midnight Star. In addition, Mr. Epp and Mr. Ryan will transfer a total of 525,000 escrowed shares of Midnight Star to Mr. Carmel for nominal consideration of \$0.01 per share.

**OTHER INFORMATION**

**Outstanding Share Data**

A breakdown of the Company's issued common share position is as follows:

The following details the common shares, share purchase warrants, and stock options outstanding as of the date of this MD&A.

*Common Shares*

	Number of Shares
Authorized Unlimited common shares, without par value	
Issued Balance at September 21, 2018	26,669,728

*Stock Options*

No Stock Options have been granted under the Company's current stock option plan which has been approved by shareholders.

On December 22, 2014, the Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the Canadian Securities Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved



**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

for issuance will not exceed 10% of the issued and outstanding common shares of the Company.

*Shares held in Escrow*

Upon the completion of the IPO 3,550,001 common shares and 750,000 share purchase warrants are held pursuant to an escrow arrangement.

As the Company anticipates being an "Emerging Issuer", the following automatic timed releases will apply to the Common Shares held by its principals who are subject to escrow:

On the Listing Date	1/10 of the escrow securities
6 months after the Listing Date	1/6 of the remaining escrow securities
12 months after the Listing Date	1/5 of the remaining escrow securities
18 months after the Listing Date	1/4 of the remaining escrow securities
24 months after the Listing Date	1/3 of the remaining escrow securities
30 months after the Listing Date	1/2 of the remaining escrow securities
36 months after the Listing Date	the remaining escrow securities

This schedule of releases will result in a 10% release on the listing date with the remaining escrow securities being released in 15% tranches every 6 months thereafter.

In April 2017, 240,000 of the 750,000 share purchase warrants that were subject to the original escrow agreement, were exercised by the President of the Company. As such 187,500 were released immediately and the remaining amount was released on the anniversary of the Listing Date. The balance of the share purchase warrants that were subject to the Escrow arrangement have expired.

As at September 21, 2018, no common shares and no share purchase warrants were held pursuant to the escrow arrangement.

Except for the proposed transaction there are no other potential share issuance obligations outstanding as of September 21, 2018.

**INVESTOR RELATIONS CONTRACT**

None

**CONTRACTUAL OBLIGATIONS**

None

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

**RISKS AND UNCERTAINTIES**

**Limited Operating History**

The Company is in the early stages of mineral property exploration and development. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

**History of Losses**

The Company has incurred net losses every period since inception and as of July 31, 2018, had an accumulated deficit of \$803,889.

**No History of Dividends**

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

**Dilution**

The Company does not generate any revenues from operating and does not have sufficient financial resources to undertake by itself all of its planned activities. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

**Capital and Liquidity Risk**

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and a willingness to utilize debt and issue equity.

Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

**Acquisition and Expansion Risk**

The Company intends to expand its operations through organic growth and depending on certain conditions, by identifying a proposed qualifying transaction. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional properties or businesses.

**MIDNIGHT STAR VENTURES CORP**  
**Three Months Ended July 31, 2018**  
**Management's Discussion and Analysis**

**Dependence on Key Personnel**

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals is intense.

The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

**MD&A PREPARATION**

This MD&A was prepared as of September 21, 2018. This MD&A should be read in conjunction the condensed interim financial statements for the three months ended July 31, 2018 and the audited financial statements for the year ended April 30, 2018. This MD&A is intended to assist the reader's understanding of Midnight Star Ventures Corp. and its' operations, business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at [www.SEDAR.com](http://www.SEDAR.com).