SERENGETI
RESOURCES INC.

Consolidated Financial Statements

For the years ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Serengeti Resources Inc.:

We have audited the accompanying consolidated financial statements of Serengeti Resources Inc., which comprise the consolidated statement of financial position as at February 28, 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Serengeti Resources Inc. as at February 28, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Serengeti Resources Inc.'s ability to continue as a going concern.

Other Matter

The consolidated financial statements of Serengeti Resources Inc. for the year ended February 28, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on June 23, 2017.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
June 25, 2018

Serengeti Resources Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	February 28, 2018	February 28, 2017
ASSETS			
Current assets			
Cash and cash equivalents	3	$ 1,032,838	$ 406,451
Receivables	4	26,002	7,982
Prepaid expenses		15,952	14,893
		1,074,952	429,326
Non-current assets			
Equipment		2,183	3,119
Investment in joint venture	5	15,214,032	-
Exploration and evaluation assets	6	1,901,659	19,034,436
Reclamation deposits	7	94,284	73,024
		17,212,159	19,110,579
TOTAL ASSETS		**$ 18,286,950**	**$ 19,539,905**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	8, 11	$ 80,212	$ 72,264
Deferred revenue	5	679,000	-
Short-term debt – notes payable	9	-	57,300
TOTAL LIABILITIES		**759,212**	**129,564**
SHAREHOLDERS' EQUITY			
Share capital	10	40,710,973	39,361,430
Warrant reserve	10	175,345	221,959
Other reserve	10	7,836,703	7,836,634
Deficit		(31,195,283)	(28,009,682)
TOTAL SHAREHOLDERS' EQUITY		**17,527,738**	**19,410,341**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 18,286,950**	**$ 19,539,905**

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

See accompanying notes to the consolidated financial statements.

(Expressed in Canadian dollars)

	Note	Year ended February 28, 2018	2017
Expenses			
Consulting	11	$ 120,741	$ 79,779
Conventions and tradeshows		29,042	37,564
Corporate development		113,152	44,524
Depreciation		936	1,337
Director fees	11	12,500	-
Investor relations		60,749	81,086
Management fees	11	198,302	145,529
Office and miscellaneous		82,423	66,195
Professional fees		93,929	25,762
Project investigation costs		7,589	10,526
Share-based payments	10	10,393	298,820
Transfer agent and filing fees		21,791	21,726
Wages and salaries		11,581	-
		(763,128)	(812,848)
Other Items			
Interest income		6,855	1,915
Impairment	5	(2,435,789)	(83,491)
Share of joint venture loss	5	(889)	-
Management income	5	7,350	-
		(2,422,473)	(81,576)
Loss and comprehensive loss for the year		**$ (3,185,601)**	**$ (894,424)**
Loss per share – basic and diluted		**$ (0.04)**	**$ (0.01)**
Weighted average number of common shares outstanding		**81,927,742**	**67,466,405**

(Expressed in Canadian dollars)

	Note	Share capital: Number of shares	Share capital: Amount	Warrant reserves	Other reserves	Deficit	Total Shareholders' Equity
Balance at February 29, 2016		**63,120,821**	**$ 38,781,638**	**$ 72,471**	**$ 7,543,288**	**$ (27,115,258)**	**$ 19,282,139**
Shares issued for cash - private placement	10	6,612,000	661,200	-	-	-	661,200
Portion of units allocatd to warrants	10	-	(143,986)	143,986	-	-	-
Share issuance costs	10	-	(28,694)	-	-	-	(28,694)
Shares issued for cash - exercise of stock options	10	150,000	8,250	-	-	-	8,250
Reallocation of fair market value of stock options exercised		-	5,474	-	(5,474)	-	-
Shares issued for cash - exercise of warrants	10	1,661,000	83,050	-	-	-	83,050
Reallocation of fair market value of warrants exercised		-	10,014	(10,014)	-	-	-
Fair value of finders warrants		-	(15,516)	15,516	-	-	-
Share-based payments	10	-	-	-	298,820	-	298,820
Net loss for the year		-	-	-	-	(894,424)	(894,424)
Balance at February 28, 2017		**71,543,821**	**$ 39,361,430**	**$ 221,959**	**$ 7,836,634**	**$ (28,009,682)**	**$ 19,410,341**
Shares issued for cash - private placement	10	5,502,000	825,300	-	-	-	825,300
Share issuance costs	10	-	(29,140)	-	-	-	(29,140)
Shares issued for cash - exercise of stock options	10	425,000	25,000	-	-	-	25,000
Reallocation of fair market value of stock options exercised		-	10,324	-	(10,324)	-	-
Shares issued for cash - exercise of warrants	10	9,164,300	471,445	-	-	-	471,445
Reallocation of fair market value of warrants exercised		-	60,215	(60,215)	-	-	-
Fair value of finders warrants	10	-	(13,601)	13,601	-	-	-
Share-based payments	10	-	-	-	10,393	-	10,393
Net loss for the year		-	-	-	-	(3,185,601)	(3,185,601)
Balance at February 28, 2018		**86,635,121**	**$ 40,710,973**	**$ 175,345**	**$ 7,836,703**	**$ (31,195,283)**	**$ 17,527,738**

Serengeti Resources Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended February 28, 2018	Year ended February 28, 2017
Operating activities		
Net loss for the year	$ (3,185,601)	$ (894,424)
Adjustments for non-cash items:		
Depreciation	936	1,337
Share of joint venture loss	889	-
Share-based payments	10,393	298,820
Impairment	2,435,789	83,491
Changes in non-cash working capital items:		
Receivables	(18,020)	(5,383)
Prepaid expenses	(1,059)	(3,205)
Trade payables and accrued liabilities	7,948	32,524
Notes payable accrual	-	36,000
Deferred revenue	679,000	-
Net cash flows used in operating activities	(69,725)	(450,840)
Investing activities		
Expenditures on exploration and evaluation assets	(1,120,713)	(1,074,507)
Recovery of expenditures on exploration and evaluation assets	589,129	1,214,144
Reclamation deposits	(21,260)	-
Investment in associate	13,650	-
Net cash flows provided by investing activities	(539,194)	139,637
Financing activities		
Proceeds on issuance of common shares net of share issuance costs	1,292,606	723,806
Notes payable - repayments	(57,300)	(152,321)
Net cash flows provided by financing activities	1,235,306	571,485
Increase (decrease) in cash and cash equivalents	626,387	260,282
Cash and cash equivalents, beginning of year	406,451	146,169
Cash and cash equivalents, end of year	**$ 1,032,838**	**$ 406,451**

1. Nature of operations and going concern

Serengeti Resources Inc. (the "Company" or "Serengeti") was incorporated on March 5, 1973, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "SIR".

The head office and principal address of the Company is 800 West Pender Street, Suite 520, Vancouver, British Columbia, Canada, V6C 2V6. The Company's registered and records office address is 1185 West Georgia Street, Suite 1750, Vancouver, British Columbia, Canada, V6E 4E6.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At February 28, 2018, the Company had not achieved profitable operations, had a net loss of $3,185,601 (2017 – $894,424) for the year ended February 28, 2018 and accumulated losses of $31,195,283 (2017 - $28,009,682) since inception, all of which indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company is in the process of completing a Preliminary Feasibility Study on its Kwanika property that is fully funded by its joint venture partner. In addition, the Company has sufficient cash on hand to fund operations for the next twelve months. The Company's continuation as a going concern is dependent upon successful completion of the Preliminary Feasibility Study on its Kwanika property and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. Significant accounting policies and basis of preparation

These consolidated financial statements were authorized for issue by the directors of the Company on June 25, 2018.

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These consolidated financial statements of the Company have been prepared on a historical cost basis except for certain financial assets measured at fair value. These consolidated financial statements are presented in Canadian dollars unless otherwise specified.

2. Significant accounting policies and basis of preparation (cont'd)

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**February 28, 2018**	**February 29, 2017**
0790202 BC Ltd.	Canada	100%	100%

*Percentage of voting power is in proportion to ownership. This company is inactive.

Joint Operations

Consistent with the provisions of IFRS 11, cost sharing activities involving other companies but not conducted through separate legal entities are considered to be 'Joint Operations' and are accounted for at cost. When acting as operator of a particular project on behalf of an optionee, the Company typically receives funds in advance of performing exploration work. The Company records such advances as a deferred liability until such time as the related expenditures are incurred, at which point these advances are offset against the costs incurred.

Investments in joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income/(loss) is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the consolidated statement of loss and comprehensive loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount in the consolidated statement of loss and comprehensive loss.

Profits and losses resulting from transactions between the Company and its joint venture are recognized in the Company's financial statements only to the extent of the unrelated investor's interest in the joint venture. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in joint ventures are recognized in the consolidated statement of loss and comprehensive loss.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during this year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties, valuation of share-based payments, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Going concern

Management has determined that the Company will be able to continue as a going concern for the next year.

ii) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated to expense the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

Class of equipment	**Depreciation rate**
Computer equipment	30% declining balance basis
Leasehold improvements	Over remaining lease term
Furniture and equipment	30% declining balance basis

2. Significant accounting policies and basis of preparation (cont'd)

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on disposition of a mineral property. Any revenue, including the receipt of fees and similar payments, earned prior to the commencement of commercial production, and reasonably attributable to the costs historically incurred on a property, is also offset against those costs as received.

Exploration tax credits

The Company may qualify for certain exploration tax credits based on qualifying expenditures incurred. Such tax credits are recorded when the amounts involved, and the collection thereof, are considered to be reasonably determinable. These amounts offset the deferred costs to which they relate or are included in operations if such costs have been expensed.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting conditions are determined by the Board of Directors.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets

Financial assets are classified at fair value through profit or loss ("FVTPL") when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Financial liabilities

Financial liabilities are classified at FVTPL when they comprise 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 the changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities

Other financial liabilities are non-derivative financial liabilities initially measured at fair value and subsequently measured at amortized cost. Transaction costs incurred upon the issuance of debt instruments or modification of a financial liability are deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments *(cont'd)*

The Company has classified its cash and cash equivalents at fair value through profit or loss, and receivables and reclamation bonds as loans and receivables. Trade payables and short-term debt are classified as other financial liabilities.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term highly liquid investments and bank overdrafts.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes *(cont'd)*

Deferred income tax:

Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Flow-through shares:

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through share premium liability and then included in income at the time the qualifying expenditures are made.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period.

Restoration and environmental obligations

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of mineral properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any significant restoration provisions at February 28, 2018 or February 28, 2017.

2. Significant accounting policies and basis of preparation (cont'd)

Leases

Leases of equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

New accounting standards not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

IFRS 9, Financial Instruments, replaces the current standard *IAS 39 Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities to only two classification categories: amortized cost and fair value. This standard has a proposed effective date of January 1, 2018. The Company's financial assets and liabilities are simple in nature and accordingly the Company has determined that the adoption of this new standard will not have a significant effect on its financial statements.

IFRS 15 Revenue from Contracts with Customers IFRS 15 is a new standard which provides guidance on accounting for revenue from contracts with customers. This standard has a proposed effective date of January 1, 2018. The Company does not have revenue from contracts with customers and accordingly has determined that the adoption of this new standard will have no effect on its financial statements.

IFRS 16 Leases IFRS 16 is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. This standard has a proposed effective date of January 1, 2019. The Company is a lessee in respect of its office lease and this new standard will apply. However, the Company's leasing activity is incidental to its operations and the associated costs, and differences in their treatment arising under the new standard, are minor. Accordingly, the Company has determined that the adoption of this new standard will have a minor but not significant effect on its financial statements.

(Expressed in Canadian dollars)

3. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		February 28, 2018		February 28, 2017
Cash at bank	$	805,338	$	6,451
Guaranteed investment certificates		227,500		400,000
	$	1,032,838	$	406,451

4. Receivables

		February 28, 2018		February 28, 2017
Exploration costs recoverable from joint venture		12,281		-
HST / GST receivable		12,156		7,982
Other receivables		1,565		-
	$	26,002	$	7,982

5. Investment in joint venture – Kwanika Copper Corporation

On November 24, 2017, Serengeti completed a transaction whereby Serengeti, POSCO DAEWOO Corporation (“PDC”) and Kwanika Copper Corporation (“KCC”) (formerly known as Daewoo Minerals Canada Corporation) signed a definitive joint venture agreement (the “JVA”) for the exploration and development of the Kwanika and surrounding properties (the “Project”). Pursuant to the JVA, the respective interests of Serengeti and PDC in the Project have been transferred to KCC, which serves as the vehicle for the joint venture.

PDC contributed a total of $8,300,000 in cash and holds 8,200,000 million common shares of KCC (representing 35% of the total issued shares of KCC). Serengeti contributed its 95% ownership of the Kwanika property, in exchange for 15,228,571 common shares of KCC (representing 65% of the total issued shares of KCC).

Serengeti will remain as project operator so long as it maintains a majority interest and will receive a 10% operator's fee on expenditures. During the year ended February 28, 2018, Serengeti received an operator’s fee of $700,000. Of this amount, $679,000 has been recorded as deferred revenue and will be recognized as income at 10% of budgeted Project expenditures as they are incurred.

In addition to maintaining its Project interest, Serengeti will be granted a 1% Net Smelter Royalty (“NSR”) if its Project interest is diluted below 50% and an additional 0.5% NSR if its interest is diluted below 33 ⅓%, subject to partial buyback provisions to KCC. KCC will have certain concentrate offtake rights from production on the project, subject to Serengeti's ability to enter into separate streaming arrangements.

(Expressed in Canadian dollars)

5. Investment in joint venture - Kwanika Copper Corporation (cont'd)

Based on the valuation assigned to Kwanika and other properties that were transferred to KCC, Serengeti recorded an impairment of $1,841,910 on the Kwanika property and an impairment of $593,879 on other properties prior to their transfer to KCC for a total impairment of $2,435,789.

Summarized statement of financial position – Kwanika Copper Corporation

		February 28, 2018 (unaudited)
Current assets	$	6,809,545
Non-current assets		16,637,564
Total assets	**$**	**23,447,109**
Current liabilities	$	15,000
Shareholders' equity		
Common shares		
Serengeti Resources Inc.		15,228,571
Daewoo Minerals Canada Corporation		8,300,000
Deficit		(96,462)
Total shareholders' equity		23,432,109
Total Equity and Liabilities	**$**	**23,447,109**

Serengeti's share of the joint venture loss of $1,367 for the period from November 24, 2017 to February 28, 2018, was $889 and has been recorded in the Consolidated Statement of Loss and Comprehensive Loss for the current year.

Changes in the investment in joint venture for the year ended February 28, 2018 are as follows:

Balance February 28, 2017	$	-
Transfer of property to joint venture		15,228,571
Share of joint venture loss from November 24, 2017 to February 28, 2018		(889)
65% of management fee income earned from joint venture from November 24, 2017 to to February 28, 2018		(13,650)
Balance February 28, 2018	$	15,214,032

(Expressed in Canadian dollars)

6. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended February 28, 2018:

	Kwanika	Milligan West	Other	Total
Property acquisition costs				
Balance, beginning of year	$ 202,931	$ 43,111	$ 777,756	$ 1,023,798
Additions	-	-	13,419	13,419
Transfer to joint venture	(202,931)	-	-	(202,931)
Balance, end of year	$ -	$ 43,111	$ 791,175	$ 834,286
Exploration and evaluation costs				
Balance, beginning of year	$ 17,041,057	$ 311,112	$ 658,469	$ 18,010,638
Costs incurred during period:				
Administration	54	-	394	448
Aircraft	-	2,792	81,716	84,508
Analysis	-	14,774	17,599	32,373
Camp and operations	21,397	156,843	187,148	365,388
Consulting	20,647	55,328	57,779	133,754
Drilling	-	171,233	144,848	316,081
Geophysics	-	-	33,148	33,148
Resource Study/Engineering	115,975	-	-	115,975
Software purchased	-	262	-	262
Travel and accommodation	1,608	13,048	10,700	25,356
	159,681	414,280	533,332	1,107,293
Recovery of costs during period:				
Exploration tax credits	(215,499)	(17,437)	(43,664)	(276,600)
Cost recoveries	(117,689)	(194,840)	-	(312,529)
	(333,188)	(212,277)	(43,664)	(589,129)
Impairment	(1,841,910)	-	(593,879)	(2,435,789)
Transfer to joint venture	(15,025,640)	-	-	(15,025,640)
Balance, end of year	$ -	$ 513,115	$ 554,258	$ 1,067,373
Total	$ -	$ 556,226	$ 1,345,433	$ 1,901,659

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (cont'd)

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended February 28, 2017:

	Kwanika	Milligan West	Other	Total
Property acquisition costs				
Balance, beginning of year	$ 202,130	$ 43,111	$ 777,756	$ 1,022,997
Additions	801	-	-	801
Balance, end of year	$ 202,931	$ 43,111	$ 777,756	$ 1,023,798
Exploration and evaluation costs				
Balance, beginning of year	$ 17,381,553	$ 251,979	$ 601,035	$ 18,234,567
Costs incurred during period:				
Administration	10,231	-	-	10,231
Aircraft	-	19,051	28,782	47,833
Analysis	29,500	-	68	29,568
Camp and operations	203,966	1,439	5,831	211,236
Consulting	125,207	6,980	15,475	147,662
Drilling	211,180	-	-	211,180
Geophysics	40,450	30,915	88,448	159,813
Resource Study/Engineering	223,654	-	-	223,654
Software purchased	3,112	-	-	3,112
Travel and accommodation	17,314	857	11,246	29,417
	864,614	59,242	149,850	1,073,706
Recovery of costs during period:				
Exploration tax credits	(5,110)	(109)	(8,925)	(14,144)
Cost recoveries	(1,200,000)	-	-	(1,200,000)
Write-downs	-	-	(83,491)	(83,491)
	(1,205,110)	(109)	(92,416)	(1,297,635)
Balance, end of year	$ 17,041,057	$ 311,112	$ 658,469	$ 18,010,638
Total	$ 17,243,988	$ 354,223	$ 1,436,225	$ 19,034,436

a) Kwanika

The Kwanika property was originally acquired by staking. It is located in the northern portion of the Quesnel Trough, British Columbia.

On April 6, 2016, the Company closed a transaction with Daewoo Minerals Canada Corp. ("DMC"), a 100% owned Canadian subsidiary of PDC, whereby DMC may earn up to a 35% interest in Serengeti's Kwanika copper-gold project and four adjacent properties by providing funding of $8,300,000. DMC funded $1,200,000 in the first year and earned a 5% interest in the Kwanika project, of which $800,000 was dedicated to project expenditures and $400,000 was paid directly to Serengeti as an operator's fee. This latter payment was treated as a recovery of costs previously incurred by Serengeti on the Kwanika project.

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (cont'd)

On November 24, 2017, Serengeti completed a joint venture transaction for the exploration and development of the Kwanika project. Pursuant to this transaction, the respective interests of Serengeti and DMC in the Kwanika project have been transferred to KCC, which serves as the vehicle for the joint venture (Note 5).

b) Milligan West

The Company owns a 56.3% interest in the Milligan West property in joint venture with Fjordland Exploration Inc. an arms-length company also listed on the TSX-V.

c) Other B.C. Properties

The Company owns a 100% interest in other properties. During the year ended February 28, 2018, certain of these properties were transferred to KCC in addition to the Kwanika property. These properties were determined to have a $Nil value prior to transfer to the joint venture and, accordingly, an impairment of $593,879 was recorded on these properties.

All of the Company's current mineral properties are located in British Columbia.

7. Reclamation deposits

The Company has posted bonds and investment certificates to provide for certain potential reclamation liabilities as agreed with the Province of British Columbia – Ministry of Energy, Mines and Petroleum Resources.

	February 28, 2018	February 28, 2017
Balance, beginning of year	$ 73,024	$ 73,024
Additions	21,260	-
Balance, end of year	$ 94,284	$ 73,024

8. Trade payables and accrued liabilities

	February 28, 2018	February 28, 2017
Trade payables	$ 57,847	$ 34,810
Amounts due to related parties (Note 11)	4,280	7,454
Accrued liabilities	18,085	30,000
	$ 80,212	$ 72,264

9. Short-term debt – notes payable

At February 28, 2017, the Company was indebted by way of non-interest-bearing notes payable to officers and directors in the amount of $57,300 in respect of CEO and CFO fees, consulting fees, directors' fees and salaries (Note 11). This amount was repaid in full during the year ended February 28, 2018.

10. Share capital and reserves

Authorized share capital
An unlimited number of common shares without par value.

Issued share capital
At February 28, 2018, there were 86,635,121 issued and fully paid common shares (February 28, 2017 – 71,543,821).

For the year ended February 28, 2018

On July 25, 2017, the Company completed a non-brokered flow-through private placement financing of 5,502,000 flow-through common shares priced at $0.15 for gross proceeds of $825,300. Finders' fees totaling $20,370 in cash and 135,800 finders' warrants with a fair value of $13,601, were paid in respect of certain subscribers in accordance with the policies of the TSX-V. The finders' warrants are exercisable at a price of $0.15 for a period of 18 months from the date of issuance. The Company also incurred other costs of $8,770.

During the year ended February 28, 2018, a total of 9,164,300 warrants were exercised for cash proceeds of $471,445.

During the year ended February 28, 2018, 425,000 stock options were exercised for cash proceeds of $25,000.

For the year ended February 28, 2017

On August 5, 2016, the Company closed a placement raising gross proceeds of $661,200. The private placement consisted of to 6,612,000 units at a price of $0.10 per unit, with each unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.15 for a period of two years. The Company paid $21,300 in cash for finders' fees and issued 213,000 warrants with a fair value of $15,516 exercisable at $0.15 for a period of two years. The Company also incurred other costs of $7,394.

The proceeds were allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares was based on the market close on the date the units were issued, and the fair value of the common share purchase warrants was determined using the Black-Scholes pricing model with the following assumptions: risk free rate of 0.52%, volatility of 112.48% and expected life of 2 years. The share purchase warrants were allocated $143,986 of gross proceeds.

On August 8, 2016, holders exercised 125,000 stock options for cash proceeds of $6,250.

On January 30, 2017, holders exercised 25,000 stock options for cash proceeds of $2,000.

(Expressed in Canadian dollars)

10. Share capital and reserves (cont'd)

***Issued share capital** (cont'd)*

For the year ended February 28, 2017 (cont'd)

During the year ended February 28, 2017, a total of 1,661,000 warrants were exercised for cash proceeds of $83,050.

Basic and diluted loss per share

The basic and diluted loss per share for the year ended February 28, 2018 was $0.04 (2017 - $0.01). The calculation of basic and diluted loss per share for the year ended February 28, 2018 was based on the loss attributable to common shareholders of $3,185,601 (2017 - $894,424) and the weighted average number of common shares outstanding of 81,927,742 (2017 – 67,466,405). The diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive. At February 28, 2018, the total number of potentially dilutive warrants was 4,850,100 (2017 - 13,878,600) and the total number of potentially dilutive stock options was 8,270,000 (2017 – 8,545,000). The aggregate number of potentially dilutive shares was 13,120,100 (2016 – 22,423,600).

Warrants

The following table summarizes information about the issued and outstanding warrants for the year ended February 28, 2018 and 2017 as follows:

	February 28, 2018		February 28, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	13,878,600	$ 0.08	12,020,600	$ 0.05
Warrants issued	135,800	0.15	3,519,000	0.15
Warrants exercised	(9,164,300)	0.05	(1,661,000)	0.05
Warrants outstanding, end of year	4,850,100	$ 0.12	13,878,600	$ 0.08

The following weighted average assumptions were used for the Black-Scholes valuation of finders' warrants issued in connection with the private placements for the years ended February 31, 2018 and 2017:

	February 28, 2018	February 28, 2017
Expected life of warrants	1.5 years	2 years
Annualized volatility	112%	112.48%
Risk-free interest rate	1.31%	0.52%
Dividend rate	0%	0%

Stock options

The Company has 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 TSX-V policies, grant to directors, officers, employees and consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance does not

(Expressed in Canadian dollars)

10. Share capital and reserves (cont'd)

***Stock options** (cont'd)*

exceed a fixed total of 12,624,000. Such options may be exercisable for a period of up to five years from the date of grant.

For the year ended February 28, 2018

On August 9, 2017, the Company granted stock options to acquire up to 150,000 common shares of the Company at a price of $0.20 per share with an exercise period of five years. The stock options vested 50% upon grant date and 50% six months after grant date.

For the year ended February 28, 2017

On April 27, 2016, the Company granted stock options to acquire up to 1,320,000 common shares of the Company at a price of $0.07 per share with an exercise period of five years. The stock options vested upon grant.

On June 1, 2016, the Company granted stock options to acquire up to 150,000 common shares of the Company at a price of $0.07 per share with an exercise period of two years. The stock options vested upon grant.On July 7, 2016, the Company granted stock options to acquire up to 50,000 common shares of the Company at a price of $0.095 per share with an exercise period of five years. The stock options are subject to vesting provisions over a period of 12 months as follows: 25% vested on the date of grant, and a further 25% to vest every four months from the date of grant.

On July 27, 2016, the Company granted stock options to acquire up to 200,000 common shares of the Company at a price of $0.135 per share with an exercise period of two years. The stock options vested upon grant.

On January 30, 2017, the Company granted stock options to acquire up to 1,775,000 common shares of the Company at a price of $0.15 per share with an exercise period of five years.

On January 30, 2017, the Company granted stock options to acquire up to 150,000 common shares of the Company at a price of $0.15 per share with an exercise period of two years. The stock options are subject to vesting provision over a period of 12 months as follows: 25% vested on the date of grant, and a further 25% to vest every four months from the date of grant.

The changes in stock options during the year ended February 28, 2018 and 2017 are as follows:

	February 28, 2018		**February 28, 2017**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of year	8,545,000	$ 0.09	5,985,000	$ 0.10
Options granted	150,000	0.20	3,645,000	0.11
Options exercised	(425,000)	0.06	(150,000)	0.06
Options expired	-	-	(935,000)	0.19
Options outstanding, end of year	8,270,000	$ 0.10	8,545,000	$ 0.09
Options exercisable, end of year	8,195,000	$ 0.10	8,545,000	$ 0.09

(Expressed in Canadian dollars)

10. Share capital and reserves (cont'd)

Stock options *(cont'd)*

Details of options outstanding as at February 28, 2018 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.05 - $0.12	1.68 years	5,995,000	5,995,000
$0.13 - $0.20	3.63 years	2,275,000	2,200,000
	2.21 years	8,270,000	8,195,000

During the year ended February 28, 2018, the Company granted 150,000 (2017 – 3,645,000) stock options with a weighted average fair value of $0.15 (2017 - $0.07) per option. The Company recorded share-based compensation of $10,393 (2017 - $298,820) relating to options vested during the period.

The fair value of options granted was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	February 28, 2018	February 28, 2017
Expected life of options	5 years	2-5 years
Annualized volatility	110%	104.68% to 112.43%
Risk-free interest rate	1.52%	0.53% to 1.11%
Dividend rate	0%	0%

Warrant and share-based payment reserves

The share-based payment and warrant reserves comprises stock-based compensation expense and other warrant payments. When stock options or warrants are exercised, the corresponding amount will be transferred to share capital.

11. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities and have arisen from amounts owing for expense reimbursements (Note 8). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	February 28, 2018	February 28, 2017
Directors and officers of the Company	$ 4,280	$ 7,454

Note 9 also sets out balances due to related parties.

(Expressed in Canadian dollars)

11. Related party transactions (cont'd)

Key management personnel compensation – paid or accrued

Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. The Company has determined that its key management personnel consists of the Company's Board of Directors and corporate officers.

	Year Ended	
	February 28, 2018	**February 28, 2017**
Management fees (1)	$ 203,600	$ 168,000
Consulting (2)	71,230	69,738
Director fees	12,500	-
Share-based payments	-	248,065
	$ 287,330	$ 485,803

(1) A portion of management fees are allocated to exploration and evaluation assets.
(2) Includes accounting fees paid to a company controlled by the CFO of $56,560 (2017: $47,668).

12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's principal source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

(Expressed in Canadian dollars)

12. Financial risk management (cont'd)

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Fair value

The Company's financial instruments consist of cash and cash equivalents, receivables, reclamation deposits and trade payables and short term debt. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments. Cash and cash equivalents are measured at fair value using Level 1 inputs.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

13. Income tax

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

		2018		2017
Net loss for the year	$	(3,185,601)	$	(894,424)
Expected income tax recovery	$	(828,000)	$	(233,000)
Deductible and non-deductible amounts		167,000		100,000
Share issuance cost		(6,000)		-
Change in unrecognized deductible temporary differences		667,000		133,000
Total income tax recovery	$	-	$	-

(Expressed in Canadian dollars)

13. Income tax (cont'd)

The significant components of the Company's deferred tax assets and liabilities are as follows:

		2018		2017
Deferred tax assets (liabilities)				
Exploration and evaluation assets	$	(1,274,000)	$	(1,844,000)
Investment tax credits		254,000		255,000
Equipment		25,000		31,000
Share issue costs		10,000		7,000
Non-capital losses		2,441,000		2,340,000
Valuation allowance		(1,456,000)		(789,000)
Net deferred tax liability	$	-	$	-

The Canadian non-capital losses carry forward at February 28, 2018 is $9,388,823 and will expire between 2026 – 2038.

14. Subsequent events

Subsequent to the year ended February 28, 2018:

a) The Company entered into an agreement to acquire a 100% interest in the Atty property from Finaly Minerals Lt. ("Finlay") and adjacent claims ("ATG Claims") from Electrum Resource Corp. ("Electrum").

In consideration for the interest in the Atty property the Company is required to complete aggregate exploration expenditures of $12,000,000 over eight years, of which $300,000 is required for 2018, make aggregate cash payments of $625,000 over eight years of which $25,000 is due on signing (paid), and make $975,000 in payments, payable in cash or shares of the Company, of which $25,000 is due on TSX approval of the transaction (172,058 issued subsequent to February 28, 2018). Electrum is entitled to a net smelter return royalty of 3% on the property which may be reduced to 1.5% by making aggregate optional payments of $500,000.

The Company also agreed to make a payment of the lessor of $1,000,000 or the value of 500,000 shares of the Company upon a production decision for the property.

In consideration for the ATG Claims, the Company is required to issue 200,000 shares of the Company, of which 40,000 are to be issued on TSX approval (issued subsequent to February 28, 2018) with the remaining 160,000 shares to be issued at 40,000 shares per year for a period of four years.

b) The Company granted 1,600,000 stock options exercisable at $0.15 per share for a period of 5 years and 200,000 stock options exercisable at $0.15 per share for a period of 2 years.

c) 1,825,000 stock options exercisable at $0.12 per share expired unexercised.

14. **Subsequent events** (cont'd)

d) The Company carried out a warrant exercise incentive program (the "Incentive Program") designed to encourage the early exercise of up to 3,306,000 of its outstanding unlisted warrants (the "Warrants"). The Warrants are currently exercisable at a price of CAN$0.15 per common share (a "Share") until August 5, 2018. The Warrants were originally issued by the Company as part of a unit private placement financing first announced on July 13, 2016, which closed on August 5, 2016. Pursuant to the Incentive Program, the Company offered an inducement to each Warrant holder that exercises their Warrants during a 20-calendar-day early exercise period ("Early Exercise Period"), by the issuance of one additional share purchase warrant for each warrant early exercised. Each new warrant (the "Incentive Warrant") will entitle the holder to purchase one additional Share for a period of 18 months from the date of issuance of such Incentive Warrant, at a price of CAN$0.22. As a result of the incentive program, 2,200,000 warrants at an exercise price of $0.15 were exercised for proceeds of $330,000 and 2,200,000 Incentive Warrants were issued, exercisable at a price of $0.22 until December 13, 2019. In addition, 900,000 warrants at an exercise price of $0.05 were exercised for proceeds of $45,000.