Consolidated Financial Statements

For the Years Ended February 28, 2019 and 2018

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Serengeti Resources Inc.:

Opinion

We have audited the consolidated financial statements of Serengeti Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that as at February 28, 2019 the Company has not achieved profitable operations, had a net income of $171,749 for the year ended February 28, 2019 and accumulated losses of $31,023,534 since inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 27, 2019

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

	Note	February 28, 2019	February 28, 2018
ASSETS			
Current assets			
Cash and cash equivalents	3	$ 373,357	$ 1,032,838
Receivables	4	28,043	26,002
Due from joint venture partner	5	1,085,692	-
Prepaid expenses		15,599	15,952
		1,502,691	1,074,792
Non-current assets			
Investment in joint venture	6	14,824,963	15,214,032
Reclamation deposits	8	31,760	94,284
Equipment		1,528	2,183
Exploration and evaluation assets	7	2,445,815	1,901,659
		17,304,066	17,212,158
TOTAL ASSETS		**$ 18,806,757**	**$ 18,286,950**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	9,11	$ 69,601	$ 80,212
Deferred revenue	6	107,422	679,000
TOTAL LIABILITIES		177,023	759,212
SHAREHOLDERS' EQUITY			
Share capital	10	41,645,496	40,710,973
Warrant reserve	10	-	175,345
Other reserves	10	8,007,772	7,836,703
Deficit		(31,023,534)	(31,195,283)
TOTAL SHAREHOLDERS' EQUITY		**18,629,734**	**17,527,738**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 18,806,757**	**$ 18,286,950**

Nature of operations and going concern (note 1)
Subsequent events (note 13)

Serengeti Resources Inc.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Note	Year ended February 28, 2019	2018
Expenses			
Consulting	11	$ 108,444	$ 120,741
Conventions and tradeshows		52,789	29,042
Corporate development		52,359	113,152
Depreciation		655	936
Director fees	11	51,000	12,500
Investor relations		29,742	60,749
Management fees	11	189,028	198,302
Office and miscellaneous		84,785	82,423
Professional fees		39,089	93,929
Project investigation costs		40,057	7,589
Salaries		42,336	11,581
Share-based compensation	10	231,104	10,393
Transfer agent and filing fees		28,953	21,791
		(950,341)	(763,128)
Other Items			
Impairment	7	(159,835)	(2,435,789)
Interest income		7,130	6,855
Share of joint venture loss	6	(17,543)	(889)
Other income	5,7	1,092,286	-
Management income	6	200,052	7,350
		1,122,090	(2,422,473)
Income (loss) and comprehensive income (loss) for the year		**$ 171,749**	**$ (3,185,601)**
Earnings (loss) per share – basic and diluted		**$ 0.00**	**$ (0.04)**
Weighted average number of common shares outstanding		**90,212,174**	**81,927,742**

See accompanying notes to the consolidated financial statements.

Serengeti Resources Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Note	Share capital					
		Number of shares	Amount	Warrant reserve	Other reserves	Deficit	Total Shareholders' Equity
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	9	5,502,000	825,300	-	-	-	825,300
Share issuance costs	9	-	(29,140)	-	-	-	(29,140)
Shares issued for cash - exercise of warrants	9	9,164,300	471,445	-	-	-	471,445
Shares issued for cash - exercise of stock options	9	425,000	25,000	-	-	-	25,000
Reallocation of fair market value of stock options exercised		-	10,324	-	(10,324)	-	-
Reallocation of fair market value of warrants exercised		-	60,215	(60,215)	-	-	-
Broker warrants issued	9	-	(13,601)	13,601	-	-	-
Share-based payments	9	-	-	-	10,393	-	10,393
Loss and comprehensive 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**
Balance at February 28, 2018		**86,635,121**	**$ 40,710,973**	**$ 175,345**	**$ 7,836,703**	**$ (31,195,283)**	**$ 17,527,738**
Shares issued for cash - exercise of warrants	9	3,713,400	427,750	-	-	-	427,750
Shares issued for cash - exercise of stock options	9	2,050,000	169,250	-	-	-	169,250
Shares issued for acquisition of property interests	9	451,147	115,760	-	-	-	115,760
Share issuance costs		-	(13,617)	-	-	-	(13,617)
Reallocation of fair market value of warrants exercised		-	123,661	(123,661)	-	-	-
Reallocation of fair market value of stock options exercised		-	111,719	-	(111,719)	-	-
Reallocation of fair market value of warrants expired		-	-	(51,684)	51,684	-	-
Share-based payments	9	-	-	-	231,104	-	231,104
Income and comprehensive income for the year		-	-	-	-	171,749	171,749
Balance at February 28, 2019		**92,849,668**	**$ 41,645,496**	**$ -**	**$ 8,007,772**	**$ (31,023,534)**	**$ 18,629,734**

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

	Year ended February 28, 2019	2018
Operating activities		
Net income (loss) for the year	$ 171,749	$ (3,185,601)
Adjustments for non-cash items:		
Depreciation	655	936
Share of joint venture loss	17,543	889
Impairment	159,835	2,435,789
Management fee income	(200,052)	-
Share-based compensation	231,104	10,393
Changes in non-cash working capital items:		
Receivables	1,126	(18,020)
Due from joint venture partner	(1,085,692)	-
Prepaid expenses	353	(1,059)
Trade payables and accrued liabilities	(12,666)	7,948
Deferred revenue	-	679,000
Net cash flows used in operating activities	(716,045)	(69,725)
Investing activities		
Expenditures on exploration and evaluation assets	(589,342)	(1,120,713)
Less: recovery of exploration and evaluation property expenditures	-	589,129
Reclamation deposits	62,524	(21,260)
Investment in associate	-	13,650
Net cash flows used in investing activities	(526,818)	(539,194)
Financing activities		
Proceeds on issuance of common shares net of share issuance costs	583,382	1,292,606
Notes payable repayments	-	(57,300)
Net cash flows provided by financing activities	583,382	1,235,306
Increase (decrease) in cash and cash equivalents	(659,481)	626,387
Cash and cash equivalents, beginning of year	1,032,838	406,451
Cash and cash equivalents, end of year	**$ 373,357**	**$ 1,032,838**

See accompanying notes to the consolidated financial statements.

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, 2019, the Company had not achieved profitable operations, had a net income of $171,749 for the year ended February 28, 2019 and accumulated losses of $31,023,534 (February 28, 2018 - $31,195,283) 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. 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 (note 13).

2. Significant accounting policies and basis of preparation

These consolidated financial statements were authorized for issue by the directors of the Company on June 27, 2019.

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, 2019	February 29, 2018
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 the 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 twelve months.

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

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 following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Reclamation deposits	FVTPL	FVTPL
Trade payables	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on February 1, 2018.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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

Financial Instruments (cont'd)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

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.

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

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

Current income tax:

Current income tax assets and liabilities for the current year 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.

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.

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

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, 2019 or February 28, 2018.

Warrants

The proceeds from private placements that include warrants are allocated on a relative fair value basis between the common shares and warrants. The fair value attributed to warrants is recorded in warrant reserve within equity. If the warrants are converted, the consideration paid, along with the amount previously recognized in warrant reserve, is recorded as an increase to share capital. Upon expiry of warrants, any fair value attributed is reclassified to share capital.

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 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 annual periods beginning on or after 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

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

***New accounting standards not yet adopted** (cont'd)*

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.

3. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		February 28, 2019		February 28, 2018
Cash at bank	$	145,856	$	805,338
Guaranteed investment certificates		227,500		227,500
	$	373,356	$	1,032,838

4. Receivables

		February 28, 2019		February 28, 2018
Exploration costs recoverable from joint venture partner	$	19,281	$	12,281
Goods and services tax receivable		8,354		12,156
Other receivables		408		1,565
	$	28,043	$	26,002

5. Due from joint venture partner

Pursuant to the joint venture agreement with Kwanika Copper Corporation ("KCC"), (note 6), the Company is entitled to the proceeds from the Mineral Exploration Tax Credit to be paid to KCC and has been recorded as a receivable and included in the statement of financial position in due from joint venture partner. The estimated proceeds of $1,082,286 have been included in other income in the statement of income and comprehensive income for the year ended February 28, 2019.

6. Investment in joint venture – Kwanika Copper Corporation

On November 24, 2017, Serengeti completed a transaction whereby Serengeti, POSCO INTERNATIONAL Corporation (formerly POSCO DAEWOO Corporation) ("PDI") and KCC (formerly 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 PDI in the Project have been transferred to KCC, which serves as the vehicle for the joint venture.

PDI 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).

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

Serengeti will remain as project operator so long as it maintains a majority interest and will receive a 10% management fee on expenditures. During the year ended February 28, 2019, Serengeti received management fees of $Nil (2018: $700,000). Of the $700,000 paid in 2018, $107,422 (2018: $679,000) is recorded as deferred revenue and will be recognized as income at 10% of budgeted Project expenditures as they are incurred. Management fee income of $200,052 (2018: $7,350), representing 35% of the management fees earned from the joint venture in the current year, has been recorded in the consolidated statement of income (loss) and comprehensive income (loss) for the year ended February 28, 2019.

In addition to maintaining its Project interest, Serengeti will be granted a 1% net smelter return 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.

During the year ended February 28, 2018, 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, 2019 (unaudited)
Current assets	$	1,648,093
Non-current assets		22,083,069
Total assets	**$**	**23,731,162**
Current liabilities	$	326,043
Shareholders' equity		
Common shares		
Serengeti Resources Inc.		15,228,571
Daewoo Minerals Canada Corporation		8,300,000
Deficit		(123,452)
Total shareholders' equity		23,405,119
Total equity and liabilities	**$**	**23,731,162**

Serengeti's share of the joint venture loss of $26,989 for the year ended February 28, 2019 was $17,543 and has been recorded in the consolidated statement of income(loss) and comprehensive income(loss) for the current year.

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

Changes in the investment in joint venture for the years ended February 28, 2019 and 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
Share of joint venture loss from March 1, 2018 to February 28, 2019	(17,543)
65% of management fee income earned from joint venture from March 1, 2018 to February 28, 2019	(371,526)
Balance February 28, 2019	$ 14,824,963

7. 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, 2019:

	Atty	Milligan West	Other	Total
Property acquisition costs				
Balance, beginning of year	$ -	$ 43,111	$ 791,175	$ 834,286
Additions	126,551	-	25,864	152,415
Balance, end of year	126,551	43,111	817,039	986,701
Exploration and evaluation costs				
Balance, beginning of year	-	513,115	554,258	1,067,373
Costs incurred during year:				
Aircraft	135,515	-	30,781	166,296
Analysis	15,699	359	3,117	19,175
Camp and operations	44,378	2,106	16,475	62,959
Consulting	64,372	5,137	39,244	108,753
Geophysics	101,038	-	64,021	165,059
Travel and accommodation	17,914	2,750	10,321	30,985
	378,916	10,352	163,959	553,227
Other items:				
Cost recoveries	-	(1,651)	-	(1,651)
Impairment	-	-	(159,835)	(159,835)
Balance, end of year	378,916	521,816	558,382	1,459,114
Total	$ 505,467	$ 564,927	$ 1,375,421	$ 2,445,815

7. 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, 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

a) Atty and ATG Claims

The Company entered into an agreement to acquire a 100% interest in the Atty property from Finlay Minerals Ltd. ("Finlay") and adjacent claims ("ATG Claims") from Electrum Resource Corp. ("Electrum") on March 4, 2018 and the agreement was approved by the TSX-V on April 10, 2018.

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 2019, make aggregate cash payments of $625,000 over eight years of which $25,000 was due on signing (paid), and make $975,000 in payments, payable in cash or shares of the Company, of which $25,000 was due on TSX-V approval of the transaction (314,265 shares with a fair value of $75,283 and $568 cash have been issued and paid to date). 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

7. Exploration and evaluation assets (cont'd)

a) Atty and ATG Claims (cont'd)

$500,000. During the year ended February 28, 2019, the Company issued 56,882 shares with a fair value of $20,478 in optional payments towards reducing the net smelter return royalty.

The Company also agreed to make a payment of the lesser 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 to be issued on TSX-V approval with the remaining 160,000 shares to be issued at 40,000 shares per year for a period of four years (80,000 shares with a fair value of $20,000 have been issued to date) (note 9).

b) Net Smelter Return Royalties – Thor Marmot and Deer Lake Properties

During the year ended February 28, 2019, the Company acquired net smelter return royalties of 0.75% on each of the Thor Marmot and Deer Lake Properties located in the Kemess and Kamloops Mining Districts from Electrum and received a payment of $10,000 in exchange for Portable Assessment Credits that the Company transferred to Electrum to enable Electrum to advance the legacy claims on both properties for the maximum allowable five-year period.

c) Milligan West

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

d) Other B.C. Properties

Serengeti holds a 100% interest in sixteen other properties. All of the Company's current mineral properties are located in British Columbia. During the year ended February 28, 2019, the Company recorded an impairment of $159,835 on several properties for claims that were not renewed.

8. 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.

During the year ended February 28, 2019, the Company transferred the reclamation deposits for the Kwanika Copper property to KCC for a payment of $60,500.

		February 28, 2019		**February 28, 2018**
Balance, beginning of year	$	94,284	$	73,024
Changes in year		(62,524)		21,260
Balance, end of year	$	31,760	$	94,284

9. Trade payables and accrued liabilities

		February 28, 2019		February 28, 2018
Trade payables	$	42,272	$	57,847
Amounts due to related parties (note 11)		6,478		4,280
Accrued liabilities		20,851		18,085
	$	69,601	$	80,212

10. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At February 28, 2019, there were 92,849,668 issued and fully paid common shares (February 28, 2018 – 86,635,121).

For the year ended February 28, 2019

On April 9, 2018, 212,058 common shares were issued at a fair value of $29,688 in connection with the acquisition of a 100% interest in the Atty property and the ATG Claims. (See note 6).

On February 20, 2019, 239,089 common shares were issued at a fair value of $86,072 in connection with the acquisition of a 100% interest in the Atty property and the ATG Claims. (See note 6).

During the year ended February 28, 2019, 3,713,400 warrants were exercised for gross proceeds of $427,750.

During the year ended February 28, 2019, 2,050,000 stock options were exercised for gross proceeds of $169,250.

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.

Basic and diluted loss per share

The basic and diluted loss per share for the year ended February 28, 2019 was $0.01 (2018 - $0.04). The calculation of basic and diluted loss per share for the year ended February 28, 2019 was based on the loss

attributable to common shareholders of $910,539 (2018 - $3,185,601) and the weighted average number of common shares outstanding of 90,212,174 (2018 – 81,927,742). The diluted loss per share does not

10. Share capital and reserves (cont'd)

***Basic and diluted loss per share** (cont'd)*

include the effect of stock options and warrants as they are anti-dilutive. At February 28, 2019, the total number of potentially dilutive warrants was 2,150,000 (2018 – 4,850,100) and the total number of potentially dilutive stock options was 6,195,000 (2018 – 8,270,000). The aggregate number of potentially dilutive shares was 8,345,000 (2018 – 13,120,100).

Warrants

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, exercisable at a price of $0.15 per common share until August 5, 2018, were originally issued by the Company as part of a unit private placement financing 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, by the issuance of one additional share purchase warrant for each warrant early exercised. Each new warrant (the "Incentive Warrant") entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issuance of such Incentive Warrant, at a price of $0.22. In connection with the Incentive Program, 2,200,000 warrants at an exercise price of $0.15 were exercised for gross proceeds of $330,000 and 2,200,000 incentive warrants, exercisable at a price of $0.22 until December 12, 2019, were issued.

The following table summarizes information about the issued and outstanding warrants for the year ended February 28, 2019 and 2018, as follows:

	February 28, 2019		February 28, 2018	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning of year	4,850,100	$ 0.12	13,878,600	$ 0.08
Warrants issued	2,200,000	0.22	135,800	0.15
Warrants exercised	(3,713,400)	0.12	(9,164,300)	0.05
Warrants expired	(1,186,700)	0.15	-	-
Warrants outstanding, end of year	2,150,000	$ 0.22	4,850,100	$ 0.12

Warrants outstanding at February 28, 2019 are as follows:

Number of warrants	Exercise price	Expiry date
2,150,000	$0.22	Dec 13, 2019

10. Share capital and reserves (cont'd)

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 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.

During the year ended February 28, 2019, 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. All options vested upon grant.

The changes in stock options during the year ended February 28, 2019 and 2018, are as follows:

	February 28, 2019		February 28, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	8,270,000	$ 0.10	8,545,000	$ 0.09
Options granted	1,800,000	0.15	150,000	0.20
Options exercised	(2,050,000)	0.08	(425,000)	0.06
Options expired	(1,825,000)	0.12	-	-
Options outstanding, end of year	6,195,000	$ 0.11	8,270,000	$ 0.10
Options exercisable, end of year	6,195,000	$ 0.11	8,195,000	$ 0.10

Details of options outstanding as at February 28, 2019 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.05 - $0.08	2.10 years	2,645,000	2,645,000
$0.14 - $0.20	3.33 years	3,550,000	3,550,000
	2.80 years	6,195,000	6,195,000

During the year ended February 28, 2019, the Company granted 1,800,000 (2018 – 150,000) stock options with a weighted average fair value of $0.12 (2018 – $0.15) per option. The Company recorded share-based compensation of $231,104 (2018 - $10,393) relating to options vested during the year.

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

	February 28, 2019	February 28, 2018
Expected life of options	4.67 years	5 years
Annualized volatility	124.32%	110%
Risk-free interest rate	2.03%	1.52%
Dividend rate	0%	0%

10. Share capital and reserves (cont'd)

Warrant and share-based payment reserves

The share-based payment and warrant reserves comprise 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 (note 9). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

		February 28, 2019		February 28, 2018
Directors and officers of the Company	$	6,478	$	4,280

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, 2019		February 28, 2018
Management fees (1)	$	185,432	$	203,600
Consulting (2)		113,765		71,230
Director fees		51,000		12,500
Share-based compensation		195,074		-
	$	545,271	$	287,330

(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 $85,640 (2018: $56,560). A portion of consulting fees are allocated to share issuance costs. A total of $11,565 (2018: $Nil) was recovered from Kwanika Copper Corp.

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 is 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.

12. Financial risk management (cont'd)

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.

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. 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:

	2019	2018
Net loss for the year	$ 171,749	$ (3,185,601)
Expected income tax recovery	$ 46,000	$ (828,000)
Deductible and non-deductible amounts	(721,000)	167,000
Share issuance cost	(4,000)	(6,000)
Change in unrecognized deductible temporary differences	679,000	667,000
Total income tax expense (recovery)	$ -	$ -

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

	2019	2018
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ (551,000)	$ (1,274,000)
Investment tax credits	264,000	254,000
Equipment	27,000	25,000
Share issue costs	10,000	10,000
Non-capital losses	2,385,000	2,441,000
Valuation allowance	(2,135,000)	(1,456,000)
Net deferred tax liability	$ -	$ -

The Canadian non-capital losses carry forward at February 28, 2019 is $8,832,544 and will expire between 2026 – 2039.

14. Subsequent events

Subsequent to the year ended February 28, 2019:

a) The Company completed a non-brokered private placement financing issuing 4,850,000 flow through common shares at a price of $0.30 per share for gross proceeds of $1,455,000.

b) The Company granted 1,550,000 stock options with an exercise price of $0.23, exercisable for a period of 5 years and 150,000 stock options with an exercise price of $0.23, exercisable for a period of 2 years.