SERENGETI
RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three-month Period Ended May 31, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Condensed Consolidated Unaudited Interim Financial Statements

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed consolidated interim unaudited financial statements for the three-month period ended May 31, 2018.

Serengeti Resources Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	Notes	May 31, 2018	February 28, 2018
ASSETS			
Current assets			
Cash and cash equivalents	3	$ 985,475	$ 1,032,838
Receivables	4	42,711	26,002
Prepaid expenses		19,141	15,952
		1,047,327	1,074,952
Non-current assets			
Equipment		2,020	2,183
Investment in joint venture	5	15,202,331	15,214,032
Exploration and evaluation assets	6	1,970,082	1,901,659
Reclamation deposits	7	94,284	94,284
		17,268,717	17,212,159
TOTAL ASSETS		**$ 18,316,044**	**$ 18,286,950**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	8, 10	$ 63,201	$ 80,212
Deferred revenue	5	663,913	679,000
TOTAL LIABILITIES		**727,114**	**759,212**
SHAREHOLDERS' EQUITY			
Share capital	9	41,000,635	40,710,973
Warrant reserve	9	116,861	175,345
Other reserve	9	8,067,807	7,836,703
Deficit		(31,596,373)	(31,195,283)
TOTAL SHAREHOLDERS' EQUITY		**17,588,930**	**17,527,738**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 18,316,044**	**$ 18,286,950**

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

(Expressed in Canadian Dollars - Unaudited)

	Note		Three month period ended May 31, 2018		May 31, 2017
Expenses					
Consulting	10	$	30,493	$	20,644
Conventions and tradeshows			8,845		11,340
Depreciation			163		234
Director fees	10		12,500		-
Investor relations			10,126		19,700
Management fees	10		47,746		39,436
Office and miscellaneous			23,665		15,687
Professional fees			11,088		6,650
Project investigation costs			20,063		-
Share-based payments	9		231,104		-
Transfer agent and filing fees			9,556		3,250
			(405,349)		(116,941)
Other Items					
Interest income			873		1,769
Share of joint venture loss	5		(1,894)		-
Management income	5		5,280		-
			4,259		1,769
Loss and comprehensive loss for the period		**$**	**(401,090)**	**$**	**(115,172)**
Loss per share – basic and diluted		**$**	**(0.00)**	**$**	**(0.00)**
Weighted average number of common shares outstanding			**86,795,057**		**73,835,125**

(Expressed in Canadian Dollars - Unaudited)

		Share capital					
	Note	Number of shares	Amount	Warrant reserves	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 - exercise of warrants		5,350,000	267,500	-	-	-	267,500
Reallocation of fair market value of warrants exercised		-	32,255	(32,255)	-	-	-
Net loss for the period		-	-	-	-	(115,172)	(115,172)
Balance at May 31, 2017		**76,893,821**	**$ 39,661,185**	**$ 189,704**	**$ 7,836,634**	**$ (28,124,854)**	**$ 19,562,669**
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	1,975,000	206,250	-	-	-	206,250
Shares issued for acquisition of property interests	9	212,058	29,688	-	-	-	29,688
Share issuance costs	9	-	(4,760)	-	-	-	(4,760)
Reallocation of fair market value of warrants exercised		-	58,484	(58,484)	-	-	-
Share-based payments	9	-	-	-	231,104	-	231,104
Net loss for the period		-	-	-	-	(401,090)	(401,090)
Balance at May 31, 2018		**88,822,179**	**$ 41,000,635**	**$ 116,861**	**$ 8,067,807**	**$ (31,596,373)**	**$ 17,588,930**

See accompanying notes to the condensed consolidated interim financial statements.

(Expressed in Canadian Dollars - Unaudited)

	Three month period ended May 31, 2018	May 31, 2017
Operating activities		
Net loss for the period	$ (401,090)	$ (115,172)
Adjustments for non-cash items:		
Depreciation	163	234
Share of joint venture loss	1,894	-
Management fee income	(5,280)	
Share-based payments	231,104	-
Changes in non-cash working capital items:		
Receivables	(15,057)	(3,715)
Prepaid expenses	6,811	(1,019)
Trade payables and accrued liabilities	(31,773)	(9,566)
Net cash flows used in operating activities	(213,228)	(129,238)
Investing activities		
Expenditures on exploration and evaluation assets	(40,385)	(105,344)
Reclamation deposits	-	(10,000)
Net cash flows used in investing activities	(40,385)	(115,344)
Financing activities		
Proceeds on issuance of common shares net of share issuance costs	206,250	267,500
Net cash flows provided by financing activities	206,250	267,500
Increase (decrease) in cash and cash equivalents	(47,363)	22,918
Cash and cash equivalents, beginning of period	1,032,838	406,451
Cash and cash equivalents, end of period	**$ 985,475**	**$ 429,369**

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 May 31, 2018, the Company had not achieved profitable operations, had a net loss of $401,090 for the period ended May 31, 2018 and accumulated losses of $31,596,373 (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 that is 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 new accounting standards

These condensed consolidated interim financial statements were authorized for issue by the directors of the Company on July 27, 2018.

Statement of compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent 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"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended February 28, 2018 with the exception of the new accounting policy adopted in the current period.

The condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended February 28, 2018.

2. Significant accounting policies and new accounting standards

Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of March 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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 adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on March 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.

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.

(Expressed in Canadian Dollars - Unaudited)

2. Significant accounting policies and new accounting standards (cont')

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.

Revenue from Contracts

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers at March 1, 2018. As the Company does not have revenue from contracts with customers, the adoption of this new standard had no effect on its financial statements.

New accounting standards not yet adopted

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.

3. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		May 31, 2018		**February 28, 2018**
Cash at bank	$	757,975	$	805,338
Guaranteed investment certificates		227,500		227,500
	$	985,475	$	1,032,838

4. Receivables

		May 31, 2018		**February 28, 2018**
Exploration costs recoverable from joint venture		29,127		12,281
HST / GST receivable		8,714		12,156
Other receivables		4,870		1,565
	$	42,711	$	26,002

(Expressed in Canadian Dollars - Unaudited)

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, $663,913 is 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.

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

		May 31, 2018 (unaudited)
Current assets	$	6,655,489
Non-current assets		16,804,133
Total assets	**$**	**23,459,622**
Current liabilities	$	30,428
Shareholders' equity		
Common shares		
Serengeti Resources Inc.		15,228,571
Daewoo Minerals Canada Corporation		8,300,000
Deficit		(99,377)
Total shareholders' equity		23,429,194
Total Equity and Liabilities	**$**	**23,459,622**

(Expressed in Canadian Dollars - Unaudited)

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

Serengeti's share of the joint venture loss of $2,914 for the period from March 1, 2018 to May 31, 2018, was $1,894 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 period ended May 31, 2018 are as follows:

Balance February 28, 2018	$	15,214,032
Share of joint venture loss from March 1, 2018 to May 31, 2018		(1,894)
65% of management fee income earned from joint venture from March 1, 2018 to May 31, 2018		(9,807)
Balance May 31, 2018	$	15,202,331

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 period ended May 31, 2018:

		Atty		Milligan West		Other		Total
Property acquisition costs								
Balance, beginning of period	$	-	$	43,111	$	791,175	$	834,286
Additions		54,879		-		5,600		60,479
Balance, end of period	$	54,879	$	43,111	$	796,775	$	894,765
Exploration and evaluation costs								
Balance, beginning of year	$	-	$	513,115	$	554,258	$	1,067,373
Costs incurred during period:								
Camp and operations		-		1,703		-		1,703
Consulting		7,008		169		715		7,892
		7,008		1,872		715		9,595
Cost recoveries		-		(1,651)		-		(1,651)
Balance, end of period	$	7,008	$	513,336	$	554,973	$	1,075,317
Total	$	61,887	$	556,447	$	1,351,748	$	1,970,082

(Expressed in Canadian Dollars - Unaudited)

6. Exploration and evaluation assets (cont'd)

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 Venture Exchange 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 2018, 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 approval of the transaction (172,058 shares and $568 cash were issued). 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 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 were to be issued on TSX approval (issued) with the remaining 160,000 shares to be issued at 40,000 shares per year for a period of four years.

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

Serengeti holds a 100% interest in sixteen other 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.

		May 31, 2018		**February 28, 2018**
Balance, beginning of period	$	94,284	$	73,024
Additions		-		21,260
Balance, end of period	$	94,284	$	94,284

(Expressed in Canadian Dollars - Unaudited)

8. Trade payables and accrued liabilities

		May 31, 2018		February 28, 2018
Trade payables	$	33,904	$	57,847
Amounts due to related parties		6,797		4,280
Accrued liabilities		22,500		18,085
	$	63,201	$	80,212

9. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At May 31, 2018, there were 88,822,179 issued and fully paid common shares (February 28, 2018 – 86,635,121).

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).

During the period ended May 31, 2018, 1,975,000 warrants were exercised for gross proceeds of $206,250.

Basic and diluted loss per share

The basic and diluted loss per share for the period ended May 31, 2018 was $0.00 (2017 - $0.00). The calculation of basic and diluted loss per share for the period ended May 31, 2018 was based on the loss attributable to common shareholders of $406,313 (2017 - $115,172) and the weighted average number of common shares outstanding of 86,795,057 (2017 – 73,835,125). The diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive. At May 31, 2018, the total number of potentially dilutive warrants was 2,875,100 (2017 – 8,528,600) and the total number of potentially dilutive stock options was 8,245,000 (2017 – 8,545,000). The aggregate number of potentially dilutive shares was 11,120,100 (2017 – 17,073600).

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, as of May 31, 2018, 1,075,000 warrants at an exercise price of $0.15 were exercised for gross proceeds of $161,250.

On May 31, 2018, 900,000 warrants at an exercise price of $0.05 were exercised for proceeds of $45,000.

(Expressed in Canadian Dollars - Unaudited)

9. Share capital and reserves (cont'd)

***Warrants** (cont')*

The following table summarizes information about the issued and outstanding warrants for the three-month period ended May 31, 2018, and the year ended February 28, 2018, as follows:

	May 31, 2018		February 28, 2018	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning of period	4,850,100	$ 0.12	13,878,600	$ 0.08
Warrants issued	-	-	135,800	0.15
Warrants exercised	(1,975,000)	0.10	(9,164,300)	0.05
Warrants outstanding, end of period	2,875,100	$ 0.14	4,850,100	$ 0.12

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 period ended May 31, 2018, 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.

During the period ended May 31, 2018, 1,825,000 stock options, exercisable at $0.12 per share, expired unexercised.

The changes in stock options during the period ended May 31, 2018, and the year ended February 28, 2018, are as follows:

	May 31, 2018		February 28, 2018	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of period	8,270,000	$ 0.10	8,545,000	$ 0.09
Options granted	1,800,000	0.15	150,000	0.20
Options exercised	-	-	(425,000)	0.06
Options expired	(1,825,000)	0.12	-	-
Options outstanding, end of period	8,245,000	$ 0.11	8,270,000	$ 0.10
Options exercisable, end of period	8,245,000	$ 0.11	8,195,000	$ 0.10

(Expressed in Canadian Dollars - Unaudited)

9. Share capital and reserves (cont'd)

Stock options *(cont'd)*

Details of options outstanding as at May 31, 2018 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	4,170,000	4,170,000
$0.14 - $0.20	4.08 years	4,075,000	4,075,000
	3.08 years	8,245,000	8,245,000

During the period ended May 31, 2018, the Company granted 1,800,000 (2017 – Nil) stock options with a weighted average fair value of $0.12 (2017 – N/A) per option. The Company recorded share-based compensation of $231,104 (2017 - $Nil) 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:

	May 31, 2018	May 31, 2017
Expected life of options	4.67 years	-
Annualized volatility	124.32%	-
Risk-free interest rate	2.03%	-
Dividend rate	0%	-

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.

10. 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.

	May 31, 2018	February 28, 2018
Directors and officers of the Company	$ 6,797	$ 4,280

(Expressed in Canadian Dollars - Unaudited)

10. 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.

	Three Months Ended	
	May 31, 2018	**May 31, 2017**
Management fees (1)	$ 45,381	$ 42,000
Consulting (2)	24,040	13,342
Director fees	12,500	-
Share-based payments	195,074	-
	$ 276,995	$ 55,342

(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 $15,310 (2017: $10,868). A portion of consulting fees are allocated to share issuance costs.

11. 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.

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

11. Financial risk management (cont'd)

***Capital Management** (cont'd)*

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 period.

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.

12. Subsequent events

Subsequent to the period ended May 31, 2018:

- In connection with the Incentive Program, 1,125,000 warrants at an exercise price of $0.15 were exercised for gross proceeds of $168,750 and 2,200,000 Incentive Warrants were issued. Each Incentive Warrant entitles the holder to purchase one 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.
- 427,600 warrants at an exercise price of $0.05 were exercised for gross proceeds of $21,380.
- 200,000 stock options at an exercise price of $0.135 were exercised for gross proceeds of $27,000.