



# INTERIM MANAGEMENT DISCUSSION AND ANALYSIS

## QUARTERLY HIGHLIGHTS

FOR THE THREE MONTHS ENDED

MAY 31, 2017

## **INTRODUCTORY COMMENT**

Serengeti Resources Inc. is a junior mineral exploration company listed on the TSX Venture Exchange under the trading symbol "SIR". The Company's exploration strategy emphasizes copper-gold projects in the Quesnel Trough of British Columbia, including the advancement of Kwanika – its principal resource-stage property. This Management Discussion and Analysis ("MD&A") is dated July 28, 2017 and discloses specified information up to that date. Serengeti is classified as a "venture issuer" for the purposes of National Instrument 51-102. This MD&A should be read in conjunction with the Company's interim financial statements which are prepared in accordance with International Financial Reporting Standards as issued by the IASB applicable to interim financial statement.

Throughout this report we refer from time to time to "Serengeti", "the Company", "we", "us", "our" or "its". All these terms are used in respect of Serengeti Resources Inc. which is the reporting issuer in this document. **We recommend that readers consult the "Cautionary Statements" on the last page of this report.**

During the three months ended May 31, 2017, Serengeti had two principal areas of focus: advancement of its flagship Kwanika copper-gold resource-stage project located in British Columbia and maintenance of its extensive portfolio of properties in the Quesnel Trough and Stikine Arch of British Columbia.

## **QUARTERLY HIGHLIGHTS**

### **FINANCIAL CONDITION**

We ended the fiscal quarter with a healthy working capital position of \$334,088 compared to \$299,762 at February 28, 2017. The aggregate improvement in the working capital measure was \$34,326. The principle increase was due to the issuance of common shares for the exercise of warrants.

On July 10, 2017, the Company announced a non brokered flow through private placement financing of 5,000,000 flow through common shares at \$0.15 to raise \$750,000. On July 25, 2017, the Company announced the private placement was over-subscribed and it had closed on 5,502,000 flow through common shares, raising gross proceeds of \$825,300. The securities issued by the Company in this financing are subject to a statutory hold period which expires on November 26, 2017. Finders' fees totaling \$20,370 in cash and 135,800 finders' warrants were paid in respect of certain subscribers incidental to the financing in accordance with the policies of the TSX-V. The finder's warrants are exercisable at a price of \$0.15 for a period of 18 months from closing.

## **FINANCIAL PERFORMANCE**

### **EXPENSES AND NET LOSS**

For the quarter ended May 31, 2017, net loss was attributable entirely to operating expenses as was the case for the prior year's comparable fiscal quarter. Total expenses were \$116,941 compared to \$127,743 recorded during the same period in 2016, representing an increase of \$10,802 or 8%. The principal cost centres showing increases are consulting, investor relations and management fees. Consulting was a \$20,644 cost in this fiscal quarter compared to \$10,683 in 2016. Investor relations were a \$19,700 cost in this fiscal quarter versus \$3,627 in the prior year. The increase was a result of management's decision to increase investor relations programs and consulting. Management fees were a \$39,436 cost in this quarter compared to \$30,935 in 2016. The proportion of management's time allocated to various projects can fluctuate, creating variances in the amounts recorded as general operating costs.

### **CASH FLOWS**

The Statement of Cash Flows sets out that our net cash position increased by \$22,918 in the year to date period of 2017. This increase is attributable principally to the exercise of warrants for proceeds of \$267,500, offset by \$129,238 in cash consumed by our operations and exploration expenditures of \$115,334 as set out in the statement of cash flows.

## LIQUIDITY AND CAPITAL RESOURCES

Our working capital position is spoken to above in the section Financial Condition and it is clear that we have adequate working capital to conduct our operations for the balance of the fiscal year currently under way; in addition, we are in a position to meet our current obligations as they become due.

## MAJOR OPERATING MILESTONES

### **Kwanika Agreement with Daewoo**

On April 6, 2016, the Company announced the closing of the transaction with DMC set out in Note 6(a). DMC may earn up to a 35% interest in Serengeti's Kwanika copper-gold project by providing funding of \$8.2 million. An initial \$1.2 million investment has been paid into the joint venture account from which Serengeti has been paid an up-front cash operating fee of \$400,000.

On July 26, 2017, the Company announced that Daewoo Minerals Canada Corporation ("DMC"), a Canadian subsidiary of POSCO Daewoo Corp., one of South Korea's leading trading corporations, had exercised its right to earn an additional 30% interest, bringing their total interest to 35% in the Kwanika Copper Gold project, subject to finalizing and executing the full Joint Venture Agreement for the project.

Over the next 60 days the partners will establish a joint venture company, finalize the full joint venture agreement, DMC will contribute their current 5% interest plus \$7 million in cash and Serengeti will contribute an additional 30% Kwanika property interest to the new joint venture company. The partners are currently finalizing a plan and budget to advance the project through completion of a Pre-feasibility Study (PFS) including funding a significant drilling program beginning in late September and initiating other activities consistent with PFS level studies. Serengeti will remain as project operator and will be entitled to charge a 10% operator's fee on expenditures, so long as it maintains a majority interest.

### **Kwanika Project Activity**

A Preliminary Economic Assessment (PEA) was completed by Moose Mountain Technical Services on April 3, 2017 and an independent NI 43-101 compliant Technical Report was posted on SEDAR on April 28, 2017. The PEA evaluated a 15,000 tonne per day combined open pit and underground mining operation, centered on the highest grade portion of the Central and South Zones on the Kwanika property. A summary of the results of the project evaluated in the PEA is as follows:

**Kwanika Project PEA (2017) Production Statistics**

Category		Units	First 8 Years	LOM
Tonnes Milled		Kt	43,201	78,855
Average Grade	Cu	%	0.466	0.381
	Au	g/t	0.539	0.357
	Ag	g/t	1.391	1.398
Metal Production	Cu	M lbs	403.462	600.635
	Au	Moz	0.561	0.673
	Ag	Moz	1.449	2.659
Throughput		tpd	15,000	
Mine Life		Yrs	15	
Net Cash Cost of Production (C1)* per lb Cu		US\$	\$0.70	\$1.20

\* Net Direct Cash Cost (C1) is an industry standard measure that represents the cash cost incurred at each processing stage, from mining through to recoverable metal delivered to market, and includes Mining, ore freight and milling costs; Mine-site administration and general expenses; Concentrate freight, smelting and smelter general and administrative costs; Marketing costs (freight and selling), less net by-product credits which in the case of the present study are for gold and silver which contribute 64.3% of revenue in the first 8 years and 53% LOM

**2017 Project Base Case Economics:**

<b>Commodity Prices Assumed</b>	US \$2.90/lb Cu    \$1270/oz Au    \$19.00 / oz Ag
<b>US\$ / CDN\$</b>	0.77
<b>Initial CapEx</b>	CDN \$476 million
<b>LOM Sustaining Capital</b>	CDN \$37 million
<b>Cumulative Cash Flow (pretax/aftertax)</b>	CDN \$710 million / \$475 million
<b>NPV at 5% (pretax/aftertax)</b>	CDN \$411 million / \$255 million
<b>NPV at 7% (pretax/aftertax)</b>	CDN \$324 million / \$191 million
<b>NPV at 8% (pretax/aftertax)</b>	CDN \$286 million / \$163 million
<b>NPV at 10% (pretax/aftertax)</b>	CDN \$220 million / \$114 million
<b>IRR (pretax/aftertax)</b>	21.1%/16.6%
<b>Payback (pretax/aftertax)</b>	3.7/4.0 years

The recently completed PEA recommended advancing the project to a higher level of study leading to a Pre-Feasibility Study and eventually to a Feasibility Study. The immediate work will require field work and data gathering for Pre-Feasibility engineering and baseline environmental studies in preparation for consultation with First Nations, sustainability discussions with local stakeholders and preparations for permit applications with regulators. This will include additional drilling to improve the modelled resource classification, geotechnical drilling, starting long duration waste rock characterization studies, and background environmental field surveys.

The cost of this recommended program over a two year time frame was estimated at \$6,985,000.

**Other Projects summary**

At the date of writing, Serengeti holds a 95% interest in Kwanika and four adjacent properties in joint venture partnership with Daewoo Minerals Canada Corp., although as noted above Daewoo has notified Serengeti of its intention to increase its ownership to 35% interest; a 100% interest in eight other properties and a 56.3% interest in one additional property in joint venture partnership with Fjordland Exploration Inc. The properties are located in the Quesnel Trough of British Columbia. The Quesnel Trough is host to the Kemess, Mt. Milligan, Mt. Polley, New Afton, and Copper Mountain porphyry copper-gold deposits. Details of Serengeti's property portfolio in BC can be found on the Company's website at [www.serengetiresources.com](http://www.serengetiresources.com).

**SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES****Key management personnel compensation**

During the year to date period ended May 31, 2017, the Company incurred salaries of \$42,000 to David Moore, Chief Executive Officer, consulting fees of \$10,868 to a company controlled by Sheri Rempel, Chief Financial Officer, and \$2,474 to a company controlled by Pamela White, Corporate Secretary.

**Related party balances**

At the financial statement date we were indebted to certain senior officers of the Company by a total of \$57,300. This amount was paid subsequent to May 31, 2017.

**OUTSTANDING SHARE DATA**

Common shares, stock options and share purchase warrants issued and outstanding as at the quarter end are described in detail in Note 8 to the financial statements dated May 31, 2017, which as of July 28, 2017 are as follows:

	<b>Number of shares</b>	<b>\$</b>	<b>Number of options</b>	<b>Exercise price</b>	<b>Expiry date</b>	
<b>Issued and outstanding</b>	85,240,821	40,629,485	250,000	\$0.05	Feb 10, 2018	
			1,750,000	\$0.12	Mar 20, 2018	
			75,000	\$0.12	Mar 29, 2018	
			150,000	\$0.07	June 1, 2018	
			200,000	\$0.14	July 27, 2018	
			1,275,000	\$0.06	Jan 16, 2019	
			150,000	\$0.15	Jan 30, 2019	
			1,525,000	\$0.05	Feb 10, 2021	
			1,320,000	\$0.07	Apr 27, 2021	
			50,000	\$0.07	July 7, 2021	
			1,775,000	\$0.15	Jan 30, 2022	
			8,520,000	\$0.09		
				<b>Number of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
				3,519,000	\$0.15	Aug 5, 2018
			2,000,400	\$0.05	Nov 6, 2018	
			189,200	\$0.05	Nov 19, 2018	
			135,800	\$0.15	Jan 25, 2019	
			5,844,400	\$0.10		

Vancouver, British Columbia

July 28, 2017

We recommend that users of this report read the Cautionary Statements which follow.

**Cautionary Statements**

This document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans, our joint venture expenditure commitments and other financial commitments, future participation by joint venture partners, and our other future plans and objectives, are forward-looking. Such forward-looking statements include, without limitation (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates about financings under way but not completed as of the date of this document. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are advised not to place undue reliance on forward-looking statements.