SERENGETI
RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three-Month Period Ended May 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Condensed Consolidated Unaudited Interim Financial Statements

In accordance with National Instrument 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, 2020.

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

	Notes		May 31, 2020		February 29, 2020
ASSETS					
Current assets					
Cash and cash equivalents	3	$	1,635,295	$	1,802,817
Receivables	4		98,596		101,370
Due from joint venture partner	5		558		558
Prepaid expenses			13,032		17,743
			1,747,481		1,922,488
Non-current assets					
Investment in joint venture	5		15,805,900		15,805,900
Reclamation deposits	8		54,222		54,222
Property, plant and equipment	6		50,950		57,546
Exploration and evaluation assets	7		1,527,122		1,529,562
			17,438,194		17,447,230
TOTAL ASSETS		**$**	**19,185,675**	**$**	**19,369,718**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	9,13	$	172,563	$	189,059
Current portion of lease payable	10		24,921		24,250
			197,484		213,309
Non-current liabilities					
Lease payable	10		23,908		30,373
Term loan payable	11		40,000		-
Flow-through share premium liability	12		324,037		327,707
TOTAL LIABILITIES			585,429		571,389
SHAREHOLDERS' EQUITY					
Share capital	12,16		44,453,386		44,453,386
Warrant reserve	12		206,072		206,072
Share-based payment reserve	12		8,640,708		8,615,012
Equity portion of convertible debenture			52,837		52,837
Deficit			(34,752,757)		(34,528,978)
TOTAL SHAREHOLDERS' EQUITY			**18,600,246**		**18,798,329**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**19,185,675**	**$**	**19,369,718**

Nature of operations and going concern (note 1)
Subsequent event (note 16)

See accompanying notes to the condensed consolidated interim financial statements.

Serengeti Resources Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Notes	Three month period ended May 31, 2020	Three month period ended May 31, 2019
Expenses			
Consulting	13	$ 21,510	$ 59,475
Conventions and tradeshows		6,920	4,206
Corporate development		13,750	17,853
Depreciation	6	6,596	2,661
Director fees	13	19,000	16,239
Investor relations		9,240	4,691
Management fees	13	45,486	48,713
Office and miscellaneous		12,189	16,705
Professional fees		11,779	7,314
Project investigation costs		21,131	10,535
Salaries		19,747	25,650
Share-based payments	12,13	25,696	250,752
Transfer agent and filing fees		2,959	3,335
		(216,003)	(468,129)
Other Items			
Impairment	7	(20,056)	-
Interest income		6,233	9
Share of joint venture loss		-	(780)
Other income		3,424	-
Interest expense	10	(1,047)	(590)
Management income		-	17,022
Recovery of flow-through share premium	12	3,670	-
		(7,776)	15,661
Loss and comprehensive loss		**$ (223,779)**	**$ (452,468)**
Loss per share – basic and diluted		**$ (0.00)**	**$ (0.00)**
Weighted average number of common shares outstanding		**109,173,573**	**93,640,429**

(Unaudited - Expressed in Canadian Dollars)

	Note	Share capital						
		Number of shares	Amount	Warrant reserve	Share-based payment reserve	Equity portion of convertible debentures	Deficit	Total Shareholders' Equity
Balance at February 28, 2019		**92,849,668**	**$ 41,645,496**	**$ -**	**$ 8,007,772**	**$ -**	**$ (31,023,534)**	**$ 18,629,734**
Shares issued for cash - flow-through financing		4,850,000	1,455,000	-	-	-	-	1,455,000
Share issuance costs		-	(12,955)	-	-	-	-	(12,955)
Share-based payments		-	-	-	250,752	-	-	250,752
Net loss for the period		-	-	-	-	-	(452,468)	(452,468)
Balance at May 31, 2019		**97,699,668**	**$ 43,087,541**	**$ -**	**$ 8,258,524**	**$ -**	**$ (31,476,002)**	**$ 19,870,063**
Balance at February 29, 2020		**109,173,573**	**$ 44,453,386**	**$ 206,072**	**$ 8,615,012**	**$ 52,837**	**$ (34,528,978)**	**$ 18,798,329**
Share-based payments	12	-	-	-	25,696	-	-	25,696
Net loss for the period		-	-	-	-	-	(223,779)	(223,779)
Balance at May 31, 2020		**109,173,573**	**$ 44,453,386**	**$ 206,072**	**$ 8,640,708**	**$ 52,837**	**$ (34,752,757)**	**$ 18,600,246**

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

	Three month period ended May 31, 2020	Three month period ended May 31, 2019
Operating activities		
Net loss	$ (223,779)	$ (452,468)
Adjustments for non-cash items:		
Depreciation	6,596	2,661
Share of joint venture loss	-	780
Interest expense	1,017	590
Management fee income	-	(17,022)
Share-based payments	25,696	250,752
Impairment	20,056	-
Recovery of flow-through share premium	(3,670)	-
Changes in non-cash working capital items:		
Receivables	2,774	1,026
Prepaid expenses	4,712	883
Trade payables and accrued liabilities	(18,296)	3,821
Net cash flows used in operating activities	(184,894)	(208,977)
Investing activities		
Expenditures on exploration and evaluation assets	(15,816)	(35,941)
Net cash flows used in investing activities	(15,816)	(35,941)
Financing activities		
Proceeds on issuance of common shares net of share issuance costs	-	1,444,453
Government loan received	40,000	-
Lease payable repayments	(6,812)	(2,783)
Net cash flows provided by financing activities	33,188	1,441,670
Net change in cash and cash equivalents	(167,522)	1,196,752
Cash and cash equivalents, beginning	1,802,817	373,357
Cash and cash equivalents, ending	**$ 1,635,295**	**$ 1,570,109**

See accompanying notes to the condensed consolidated interim 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 #3200 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4P7.

Going concern

These condensed consolidated interim 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, 2020, the Company had not achieved profitable operations, had a net loss of $223,779 for the period ended May 31, 2020 and accumulated losses of $34,752,757 (February 29, 2020 - $34,528,978) 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's continuation as a going concern is dependent on its ability to raise equity capital or borrowings sufficient funds 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.

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. Significant accounting policies and basis of preparation

These condensed consolidated interim financial statements were authorized for issue by the directors of the Company on July 28, 2020.

Statement of compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. 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 29, 2020 with the exception of the new accounting policy adopted in the current period.

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

Statement of compliance with International Financial Reporting Standards (cont'd)

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 29, 2020.

Basis of presentation

These condensed consolidated interim financial statements of the Company have been prepared on a historical cost basis except for some financial instruments classified in accordance with measurement standards under IFRS. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise specified.

3. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		May 31, 2020		February 29, 2020
Cash at bank	$	169,295	$	336,817
Guaranteed investment certificates		1,466,000		1,466,000
	$	1,635,295	$	1,802,817

4. Receivables

		May 31, 2020		February 29, 2020
Exploration costs recoverable from KCC	$	92,058	$	43,099
Goods and services tax receivable		-		53,023
Other receivables		6,538		5,248
	$	98,596	$	101,370

5. Investment in joint venture – Kwanika Copper Corporation

On November 24, 2017, Serengeti completed a transaction whereby Serengeti, POSCO DAEWOO Corporation, since renamed Posco International Corporation ("PIC") and Kwanika Copper Corporation ("KCC") (formerly Daewoo Minerals Canada Corporation) signed a definitive joint venture agreement (the "JVA") for the exploration and development of the Kwanika property (the "Project"). Pursuant to the JVA, the respective interests of Serengeti and PIC in the Project were transferred to KCC, which serves as the vehicle for the joint venture.

In 2017, PIC has contributed a total of $8,300,000 in cash and held 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).

During the 2020 fiscal year, an additional $590,000 was contributed to KCC on a pro-rata basis by the two partners to further engineering studies. An additional $680,000 was contributed by Serengeti to KCC towards funding of the work program.

As at May 31, 2020, total contributions by Serengeti to KCC were $16,292,071 and total contributions by PIC to KCC were $8,506,500.

(Unaudited - Expressed in Canadian Dollars)

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

The Board of Directors and shareholders of KCC have approved a budget for exploration and project optimization to be completed at the Project during 2020. Upon completion, Serengeti will own approximately 67% of KCC as a result of sole funding the 2020 program. PIC has elected not to participate in the 2020 program and as a consequence, will dilute on a pro-rata basis to approximately 33% ownership of KCC.

Serengeti can remain as Project operator so long as it maintains a majority interest. As Project operator, Serengeti received a 10% management fee on expenditures of $7,000,000. Unearned management fee income is included in deferred revenue in the consolidated statement of financial position. Management fee income of $Nil (May 31, 2019 - $17,022), representing 35% of the management fees earned from the joint venture in the current period, has been recorded in the condensed consolidated interim statement of loss and comprehensive loss for the period ended May 31, 2020.

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 PIC. PIC will have certain concentrate offtake rights from production on the Project, subject to Serengeti's ability to enter into separate streaming arrangements.

Summarized statement of financial position – Kwanika Copper Corporation

		May 31, 2020 (unaudited)
Current assets	$	787,686
Non-current assets		23,931,491
Total assets	**$**	**24,719,177**
Current liabilities	$	63,655
Shareholders' equity		
Common shares		
Serengeti Resources Inc.		16,292,071
Posco International Corporation		8,506,500
Deficit		(143,049)
Total shareholders' equity		24,655,522
Total equity and liabilities	**$**	**24,719,177**

Changes in the investment in joint venture for the period ended May 31, 2020 and year ended February 29, 2020 are as follows:

Balance February 28, 2019	$	14,824,963
Additional investment in joint venture		1,063,500
Share of joint venture loss from March 1, 2019 to February 29, 2020		(12,739)
65% of management fee income earned from joint venture from March 1, 2019 to February 29, 2020		(69,824)
Balance February 29, 2020 and May 31, 2020	$	15,805,900

(Unaudited - Expressed in Canadian Dollars)

6. Property, plant and equipment

	Leased Office	Furniture and Equipment	Total
Cost			
Balance February 29, 2020 and May 31, 2020	$ 81,564	$ 26,956	$ 108,520
Accumulated depreciation			
Balance February 29, 2020	$ 25,087	$ 25,887	$ 50,974
Additions	6,516	80	6,596
Balance May 31, 2020	31,603	25,967	57,570
Net book value			
Balance February 29, 2020	$ 56,477	$ 1,069	$ 57,546
Balance May 31, 2020	$ 49,961	$ 989	$ 50,950

The leased office is being amortized on a straight-line basis over the lease term of 3 years.

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 period ended May 31, 2020:

	Milligan West	Top Cat	Other	Total
Property acquisition costs				
Balance, beginning	$ 43,111	$ 64,502	$ 450,776	$ 558,389
Balance, ending	43,111	64,502	450,776	558,389
Exploration and evaluation costs				
Balance, beginning	524,785	176,013	270,375	971,173
Costs incurred during period:				
Assaying	-	842	749	1,591
Camp and operations	-	313	312	625
Consulting	617	5,083	9,700	15,400
	617	6,238	10,761	17,616
Other Items:				
Impairment	-	-	(20,056)	(20,056)
Balance, ending	525,402	182,251	261,080	968,733
Total	$ 568,513	$ 246,753	$ 711,856	$ 1,527,122

(Unaudited - Expressed in Canadian Dollars)

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 29, 2020:

	Atty	Milligan West	Top Cat	Other	Total
Property acquisition costs					
Balance, beginning	$ 126,551	$ 43,111	$ -	$ 817,039	$ 986,701
Additions	25,797	-	64,502	15,168	105,467
Balance, ending	152,348	43,111	64,502	832,207	1,092,168
Exploration and evaluation costs					
Balance, beginning	378,916	521,816	-	558,382	1,459,114
Costs incurred during year:					
Aircraft	273,208	-	28,145	80,808	382,161
Assaying	59,628	-	9,098	11,807	80,533
Camp and operations	95,161	-	71,099	39,083	205,343
Consulting	89,866	3,107	50,601	84,067	227,641
Drilling	323,273	-	-	-	323,273
Geophysics	112,912	-	-	120,920	233,832
Software purchased	-	-	270	-	270
Storage	-	2,472	-	4,538	7,010
Travel and accommodation	103,336	-	16,800	16,362	136,498
	1,057,384	5,579	176,013	357,585	1,596,561
Other Items:					
Exploration tax credits	(113,675)	(2,610)	-	(40,812)	(157,097)
Cost recoveries	-	-	-	(558)	(558)
Impairment	(1,474,973)	-	-	(985,653)	(2,460,626)
Balance, ending	(152,348)	524,785	176,013	(111,056)	437,394
Total	$ -	$ 567,896	$240,515	$ 721,151	$ 1,529,562

7. 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-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 was required for 2019 (completed), make aggregate cash payments of $625,000 over eight years of which $25,000 was due upon 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 $26,365 cash have been issued and paid to date). Electrum is entitled to a NSR of 3% on the property which may be reduced to 1.5% by making aggregate optional payments of $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 NSR.

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.

The Company issued 25,000 shares at fair value of $6,500 to each of the Kwadacha First Nation and Tsay Keh Dene Nation pursuant to the exploration agreement on the Atty property.

In consideration for the ATG Claims, the Company is required to issue 200,000 shares of the Company, of which 40,000 were issued immediately 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).

The Company made a decision to discontinue its option for the acquisition of a 100% interest in the Atty property from Finlay Minerals Ltd. and adjacent ATG Claims from Electrum Resources Corp., returning these properties to the vendors. No further work payments will be due. The Atty property was impaired in full during the year ended February 29, 2020.

During the period ended May 31, 2020, the Company recorded an impairment of $20,056 on the ATG property.

b) 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.

c) Top Cat

On July 19, 2019, the Company optioned the Top Cat claims.

The Company may earn a 100% interest by:

- Making staged cash payments totaling $340,000 over 5 years; $18,000 of which was paid on signing. On November 7, 2019, the Company issued 83,333 shares at a fair value of $18,333 in lieu of cash payment pursuant to the option agreement;
- Issuing a total of 1,500,000 common shares in stages over a 5-year period. 100,000 shares with a fair value of $27,000 were issued upon TSX-V approval of the option agreement;

(Unaudited - Expressed in Canadian Dollars)

7. Exploration and evaluation assets (cont'd)

c) Top Cat (cont'd)

- Incurring a total of $1,250,000 in exploration expenditures over a 5-year period with a minimum of $100,000 to be spent before the first anniversary of the agreement;
- Granting the optionors a 3% NSR on the property, subject to the Company's right to purchase a 2% NSR for $2,000,000 at any time prior to the first anniversary of commercial production.

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

During the year ended February 28, 2019, the Company acquired NSR's 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 for the maximum allowable five-year period.

e) Other Properties

Serengeti holds a 100% interest in a number of other properties, all of which are located in British Columbia.

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.

		May 31, 2020		**February 29, 2020**
Balance, beginning	$	54,222	$	31,760
Changes during the period		-		22,462
Balance, ending	$	54,222	$	54,222

9. Trade payables and accrued liabilities

		May 31, 2020		**February 29, 2020**
Trade payables	$	69,947	$	106,826
Amounts due to related parties (Note 13)		76,183		62,233
Goods and services tax payable		573		-
Accrued liabilities		25,860		20,000
	$	172,563	$	189,059

(Unaudited - Expressed in Canadian Dollars)

10. Lease payable

On May 1, 2019, the Company entered into an office lease agreement for a term of three years. In accordance with IFRS 16, the Company recorded a lease asset and a lease liability with a fair value of $91,661. Fair value was determined by discounting future lease payments at a discount rate of 8%.

On February 1, 2020, the Company revised the lease to reduce the amount of office space being leased, and the lease asset and lease liability were revalued to reflect changes in the future lease payments. As a result of the revaluation, the Company recorded a reduction of $13,086 in the lease liability.

The following table summarizes the lease transactions for the period ended May 31, 2020 and year ended February 29, 2020:

		May 31 2020		February 29, 2020
Balance, beginning	$	54,623	$	-
Additions, net		-		78,575
Payments made		(6,811)		(29,018)
Interest recorded		1,017		5,066
Balance, ending	$	48,829	$	54,623

		May 31 2020		February 29, 2020
Current portion	$	24,921	$	24,250
Long term portion		23,908		30,373
	$	48,829	$	54,623

11. Term loan payable

During the period ended May 31, 2020, as part of the government funded COVID-19 financial assistance programs, the Company received loan in the amount of $40,000 from the Government of Canada (CEBA term loan).

The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest of 5% per annum thereafter. If at least 75% of the loan principal is paid before December 31, 2022, the balance of the loan will be forgiven.

12. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At May 31, 2020, there were 109,173,573 issued and fully paid common shares (February 29, 2020 – 109,173,573).

No common shares were issued during the period ended May 31, 2020.

(Unaudited - Expressed in Canadian Dollars)

12. Share capital and reserves (cont'd)

Basic and diluted loss per share

The basic and diluted loss per share for the period ended May 31, 2020 was $0.00 (May 31, 2019 – $0.00). The calculation of basic and diluted loss per share for the year ended May 31, 2020 was based on the loss attributable to common shareholders of $223,779 (May 31, 2019 – $452,468) and the weighted average number of common shares outstanding of 109,173,573 (May 31, 2019 – 93,640,429). The diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive. At May 31, 2020, the total number of potentially dilutive warrants was 2,397,252 (May 31, 2019 – 2,150,000) and the total number of potentially dilutive stock options was 8,824,167 (May 31, 2019 – 7,895,000). The aggregate number of potentially dilutive shares was 11,221,419 (May 31, 2019 – 10,045,000).

Warrants

The changes in warrants during the period ended May 31, 2020 and year ended February 29, 2020, are as follows:

	May 31, 2020		February 29, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	2,397,252	$ 0.26	2,150,000	$ 0.22
Warrants issued	-	-	2,397,252	0.26
Warrants exercised	-	-	(325,000)	0.22
Warrants expired	-	-	(1,825,000)	0.22
Warrants outstanding, ending	2,397,252	$ 0.26	2,397,252	$ 0.26

Warrants outstanding at May 31, 2020 are as follows:

Number of warrants	Exercise price	Expiry date
379,260	$0.25	December 16, 2021
52,850	$0.25	December 19, 2021
1,965,142	$0.26	January 16, 2022
2,397,252		

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.

(Unaudited - Expressed in Canadian Dollars)

12. Share capital and reserves (cont'd)

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

The changes in stock options during the period ended May 31, 2020 and year ended February 29, 2020, are as follows:

	May 31, 2020		February 29, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	9,320,000	$ 0.15	6,195,000	$ 0.11
Options granted	-	-	3,350,000	0.23
Options exercised	-	-	(200,000)	0.06
Options expired	(250,000)	0.17	(25,000)	0.23
Options outstanding, ending	9,070,000	$ 0.16	9,320,000	$ 0.16
Options exercisable, ending	8,824,167	$ 0.15	8,674,167	$ 0.15

Details of options outstanding as at May 31, 2020 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.05 - $0.095	0.80 years	2,445,000	2,445,000
$0.15 - $0.30	3.11 years	6,625,000	6,379,167
	2.49 years	9,070,000	8,824,167

During the period ended May 31, 2020, the Company recorded share-based payments of $25,696 (2019 – $250,752) relating to options vested during the period.

Flow-through premium liability

For the purposes of calculating any premium related to the issuances of the flow-through shares, the Company compares the market price of its shares to the subscription price of flow-through shares to determine if there was a premium paid on the flow-through shares. As a result, the Company's flow-through liability on issuance of flow-through shares in connection with private placements is as follows:

	May 31 2020	February 29, 2020
Balance, beginning of period	$ 327,707	$ -
Additions	-	770,260
Reversal	(3,670)	(442,553)
Balance, end of period	$ 324,037	$ 327,707

As at May 31, 2020, the Company is committed to spending approximately $1,597,811 in connection with its flow-through offerings (February 29, 2020 - $1,615,427).

(Unaudited - Expressed in Canadian Dollars)

13. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 9). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

		May 31, 2020		February 29, 2020
Directors and officers of the Company	$	76,183	$	62,233

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.

Amounts recorded for key management personnel are as follows:

		Three-month period ended May 31, 2020		Three-month period ended May 31, 2019
Management fees	$	42,000	$	46,759
Consulting (1)		21,510		63,705
Director fees (2)		19,000		16,239
Share-based payments		18,442		193,401
	$	100,952	$	320,104

(1) Includes accounting fees paid to a company controlled by the CFO of $16,380 (2019: $15,600).

(2) $19,000 of director fees were accrued

14. Commitments

On April 1, 2020, the Company entered into a lease agreement for two years. Minimum lease payments under the agreement are $12,000 for the year ended February 2021.

15. Financial instruments

The Company's financial instruments consists of cash and cash equivalents, receivables, reclamation deposits and trade payables. The carrying values of cash and cash equivalents, receivables, reclamation deposits and trade payables approximate their fair value because of their relatively short-term nature on the instruments.

<u>There are three levels of the fair value hierarchy as follows:</u>

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

15. Financial instruments (cont'd)

All financial instruments other than cash and cash equivalents are measured using level 2 inputs.

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 and cash equivalents 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 and cash equivalents are 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 aims to have sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from its ability to raise equity capital or borrowings sufficient funds and its holdings of cash and cash equivalents.

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 risk.

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 period.

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

16. Subsequent event

Shares for debt settlement

On June 24, 2020, the Company issued 272,104 common shares in the capital of the Company at a deemed price of $0.19 per share in settlement of $51,700 of debt owing to certain creditors who are at arm's length. The shares issued by the Company are subject to a statutory hold period which expires October 25, 2020.