SERENGETI
RESOURCES INC.

Consolidated Financial Statements

For the Years Ended February 29, 2020 and February 28, 2019

(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 29, 2020 and February 28, 2019, and the consolidated statements of income (loss) and comprehensive income (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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 2019, 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 consolidated 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 consolidated financial statements, which indicates that as at February 29, 2020 the Company has not achieved profitable operations, had a net loss of $3,505,444 for the year ended February 29, 2020 and accumulated losses of $34,528,978 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 consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 29, 2020

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

	Note		February 29, 2020		February 28, 2019
ASSETS					
Current assets					
Cash and cash equivalents	3	$	1,802,817	$	373,357
Receivables	4		101,370		28,043
Due from joint venture partner	5		558		1,085,692
Prepaid expenses			17,743		15,599
			1,922,488		1,502,691
Non-current assets					
Investment in joint venture	6		15,805,900		14,824,963
Reclamation deposits	9		54,222		31,760
Property, plant and equipment	7		57,546		1,528
Exploration and evaluation assets	8		1,529,562		2,445,815
			17,447,230		17,304,066
TOTAL ASSETS		**$**	**19,369,718**	**$**	**18,806,757**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	10,14	$	189,059	$	69,601
Deferred revenue	6		-		107,422
Current portion of lease payable	11		24,250		-
			213,309		177,023
Lease payable	11		30,373		-
Flow-through share premium liability	13		327,707		-
TOTAL LIABILITIES			571,389		177,023
SHAREHOLDERS' EQUITY					
Share capital	13,15		44,453,386		41,645,496
Warrant reserve	13		206,072		-
Share-based payment reserve	13		8,615,012		8,007,772
Equity portion of convertible debenture	12		52,837		-
Deficit			(34,528,978)		(31,023,534)
TOTAL SHAREHOLDERS' EQUITY			**18,798,329**		**18,629,734**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**19,369,718**	**$**	**18,806,757**

Nature of operations and going concern (note 1)
Subsequent events (note 18)

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

	Note		Year ended February 29, 2020		Year ended February 28, 2019
Expenses					
Consulting	14	$	142,546	$	108,444
Conventions and tradeshows			37,148		52,789
Corporate development			50,122		52,359
Depreciation	7		25,546		655
Director fees	14		79,381		51,000
Investor relations			12,753		29,742
Management fees	14		190,218		189,028
Office and miscellaneous			57,279		84,785
Professional fees			58,853		39,089
Project investigation costs			61,281		40,057
Salaries			75,515		42,336
Share-based payments	13,14		613,403		231,104
Transfer agent and filing fees			29,217		28,953
			(1,433,262)		(950,341)
Other Items					
Impairment	8		(2,460,626)		(159,835)
Expenses recovered	8		8,166		-
Interest income			11,171		7,130
Share of joint venture loss	6		(12,739)		(17,543)
Other income	5		-		1,092,286
Interest expense	11,12		(101,294)		-
Gain on disposition of lease asset	7		2,989		-
Management income	6		37,598		200,052
Recovery of flow-through share premium	13		442,553		-
			(2,072,182)		1,122,090
Income (loss) and comprehensive income (loss)		**$**	**(3,505,444)**	**$**	**171,749**
Income (loss) per share – basic and diluted		**$**	**(0.04)**	**$**	**0.00**
Weighted average number of common shares outstanding			**98,880,799**		**90,212,174**

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

	Note	Share capital - Number of shares	Share capital - Amount	Warrant reserve	Share-based payment reserve	Equity portion of convertible debentures	Deficit	Total Shareholders' Equity
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 acquisition of property interests	13	451,147	115,760					115,760
Shares issued for cash - exercise of warrants	13	3,713,400	427,750	-	-	-	-	427,750
Shares issued for cash - exercise of stock options	13	2,050,000	169,250	-	-	-	-	169,250
Share issuance costs	13	-	(13,617)	-	-	-	-	(13,617)
Reallocation of fair market value of warrants exercised	13	-	123,661	(123,661)	-	-	-	-
Reallocation of fair market value of stock options exercised	13	-	111,719	-	(111,719)	-	-	-
Reallocation of fair market value of warrants expired	13	-	-	(51,684)	51,684	-	-	-
Share-based payments	13	-	-	-	231,104	-	-	231,104
Net 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**
Shares issued for cash - flow-through financing	13	11,702,000	3,099,480	-	-	-	-	3,099,480
Shares issued for cash - private placement financing	13	3,863,572	539,295	156,148	-	-	-	695,443
Shares issued for cash - exercise of stock options	13	200,000	12,000	-	-	-	-	12,000
Shares issued for cash - exercise of warrants	13	325,000	71,500	-	-	-	-	71,500
Shares issued for acquisition of property interests	13	233,333	58,333	-	-	-	-	58,333
Flow-through share premium	13		(770,260)					(770,260)
Share issuance costs	13	-	(208,621)	51,272	-	-	-	(157,349)
Warrants issuance costs	13	-	-	(1,348)	-	-	-	(1,348)
Reallocation of fair market value of stock options exercised	13	-	6,163	-	(6,163)	-	-	-
Share-based payments	13	-	-	-	613,403	-	-	613,403
Convertible debentures	12	-	-	-	-	52,837	-	52,837
Net loss for the year		-	-	-	-	-	(3,505,444)	(3,505,444)
Balance at February 29, 2020		**109,173,573**	**$ 44,453,386**	**$ 206,072**	**$ 8,615,012**	**$ 52,837**	**$ (34,528,978)**	**$ 18,798,329**

See accompanying notes to the consolidated financial statements.

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

		Year ended February 29, 2020		Year ended February 28, 2019
Operating activities				
Net income (loss)	$	(3,505,444)	$	171,749
Adjustments for non-cash items:				
Depreciation		25,546		655
Share of joint venture loss		12,739		17,543
Interest expense		57,902		159,835
Gain on disposition of lease asset		(2,989)		-
Management fee income		(37,598)		(200,052)
Share-based payments		613,403		231,104
Impairment		2,460,626		-
Recovery of flow-through share premium		(442,553)		-
Changes in non-cash working capital items:				
Receivables		(73,326)		1,126
Due from joint venture partner		1,085,134		(1,085,692)
Prepaid expenses		9,156		353
Trade payables and accrued liabilities		60,836		(12,666)
Net cash flows provided by (used in) operating activities		263,432		(716,045)
Investing activities				
Expenditures on exploration and evaluation assets		(1,438,718)		(589,342)
Investment in joint ventures		(1,063,500)		-
Reclamation deposits		(22,462)		62,524
Net cash flows used in investing activities		(2,524,680)		(526,818)
Financing activities				
Proceeds on issuance of common shares net of share issuance costs		3,637,574		583,382
Options exercised for cash		12,000		-
Warrants exercised		71,500		-
Warrants issuance costs		(1,348)		-
Lease payable repayments		(29,018)		-
Net cash flows provided by financing activities		3,690,708		583,382
Net change in cash and cash equivalents		1,429,460		(659,481)
Cash and cash equivalents, beginning		373,357		1,032,838
Cash and cash equivalents, ending	**$**	**1,802,817**	**$**	**373,357**

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 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 20, 2020, the Company had not achieved profitable operations, had a net loss of $3,505,444 for the year ended February 29, 2020 and accumulated losses of $34,528,978 (February 28, 2019 - $31,023,534) 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.

2. Significant accounting policies and basis of preparation

These consolidated financial statements were authorized for issue by the directors of the Company on June 29, 2020.

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 Committee ("IFRIC").

Basis of presentation
These consolidated 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 consolidated financial statements are presented in Canadian dollars unless otherwise specified.

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 29, 2020	February 28, 2019
0790202 BC Ltd.	Canada	100%	100%

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

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

Significant accounting judgments, estimates and assumptions

The preparation of consolidated 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 consolidated 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 consolidated 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.

Property, plant and equipment

Property, plant and 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 income (loss) and comprehensive income (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 property, plant and equipment are as follows:

Class of property, plant and equipment	**Depreciation rate**
Computer equipment	30% declining balance basis
Furniture and equipment	30% declining balance basis
Leased office	Over remaining lease term

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

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 income (loss) and comprehensive income (loss), and its share of post-acquisition movements in other comprehensive income (loss) is recognized in other comprehensive income (loss) 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 income (loss) and comprehensive income (loss).

Profits and losses resulting from transactions between the Company and its joint venture are recognized in the Company's consolidated 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 income (loss) and comprehensive income (loss).

Convertible debentures

Convertible debentures are separated into their liability and equity components on the Consolidated Statements of Financial Position. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is subsequently measured at amortized cost, using the effective interest method, until extinguished upon conversion or maturity.

The fair value of the equity component of debt is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the liability component is allocated as the fair value of the equity component. The issuance costs have been allocated on a pro-rata basis between the debt and equity components.

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

Leases

On March 1, 2019, the Company adopted IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

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.

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.

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

Restoration and environmental obligations (cont'd)

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 29, 2020 or February 28, 2019.

Impairment of non-financial assets

The carrying amount of the Company's assets (which include property, plant and 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 income (loss) and comprehensive income (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.

Financial Instruments

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.

At February 29, 2020, the Company measured cash and reclamation deposits at FVTPL, and receivables and trade payables at amortized cost.

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

Financial instruments (cont'd)

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.

Measurement

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.

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 income (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.

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.

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.

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.

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.

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.

(Expressed in Canadian Dollars)

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

Income taxes (cont'd)

Deferred income tax:

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

Flow-through shares:

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

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

3. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		February 29, 2020		February 28, 2019
Cash at bank	$	336,817	$	145,857
Guaranteed investment certificates		1,466,000		227,500
	$	1,802,817	$	373,357

4. Receivables

		February 29, 2020		February 28, 2019
Exploration costs recoverable from joint venture partner	$	43,099	$	19,281
Goods and services tax receivable		53,023		8,354
Other receivables		5,248		408
	$	101,370	$	28,043

(Expressed in Canadian Dollars)

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 ("METC") to be paid to KCC and was 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 were included in other income in the statement of income (loss) and comprehensive income (loss) for the year ended February 28, 2019. On January 10, 2020, the Company received the METC refund of $1,082,286.

6. 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 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 PDI in the Project were transferred to KCC, which serves as the vehicle for the joint venture.

PIC has contributed a total of $8,506,500 in cash and holds 8,406,500 million common shares of KCC (representing 35% of the total issued shares of KCC). Serengeti contributed its 95% ownership of the Kwanika property and cash of $383,500, in exchange for 15,612,071 common shares of KCC (representing 65% of the total issued shares of KCC).

Serengeti can remain as Project operator so long as it maintains a majority interest. As Project operator, Seregenti 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 $37,598 (February 28, 2018 - $200,052), 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 29, 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

		February 29, 2020 (unaudited)
Current assets	$	803,249
Non-current assets		23,920,188
Total assets	**$**	**24,723,437**
Current liabilities	$	67,915
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	**$**	**24,723,437**

(Expressed in Canadian Dollars)

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

Changes in the investment in joint venture for the years ended February 29, 2020 and February 28, 2019 are as follows:

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
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	$	15,805,900

7. Property, plant and equipment

	Leased Office	Furniture and Equipment	Total
Cost			
Balance February 28, 2019 and 2018	$ -	$ 26,956	$ 26,956
Additions	91,661	-	91,661
Disposal	(10,097)	-	(10,097)
Balance February 29, 2020	81,564	26,956	108,520
Accumulated depreciation			
Balance February 28, 2018	-	24,773	24,773
Additions	-	655	655
Balance February 28, 2019	-	25,428	25,428
Additions	25,087	459	25,546
Balance February 29, 2020	25,087	25,887	50,974
Net book value			
Balance February 28, 2019	$ -	$ 1,528	$ 1,528
Balance February 29, 2020	$ 56,477	$ 1,069	$ 57,546

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

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 revaluations, the Company recorded a reduction of $13,086 in the lease liability, a reduction of $10,097 in the lease asset and a gain on disposition of the lease asset of $2,989 (Note 11).

(Expressed in Canadian Dollars)

8. 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 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

(Expressed in Canadian Dollars)

8. 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, 2019:

	Atty	Milligan West	Other	Total
Property acquisition costs				
Balance, beginning	$ -	$ 43,111	$ 791,175	$ 834,286
Additions	126,551	-	25,864	152,415
Balance, ending	126,551	43,111	817,039	986,701
Exploration and evaluation costs				
Balance, beginning	-	513,115	554,258	1,067,373
Costs incurred during year:				
Aircraft	135,515	-	30,781	166,296
Assaying	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, ending	378,916	521,816	558,382	1,459,114
Total	$ 505,467	$ 564,927	$ 1,375,421	$ 2,445,815

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 (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.

During the year ended February 29, 2019, the Company issued 25,000 shares at fair value of $6,500 each to Kwadacha First Nation and Tsay Keh Dene Nation pursuant to the exploration agreement on the Atty property (Note 13).

8. Exploration and evaluation assets (cont'd)

a) ATTY and ATG Claims (cont'd)

During the year ended February 29, 2020, the Company recorded an impairment of $1,474,973 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).

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 (Note 13);
- 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 (Note 13);
- 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.

c) 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.

d) Other Properties

Serengeti holds a 100% interest in a number of other properties and an approximately 56.3% interest in one additional property in joint venture partnership with Fjordland Exploration Inc, all of which are located in British Columbia.

During the year ended February 29, 2020, the Company recorded $165,263 in BC Mineral Exploration Tax Credits ("BCMETC"), of which $157,097 was allocated to exploration and evaluation assets and the balance of $8,166 to the statement of income (loss) and comprehensive income (loss).

During the year ended February 28, 2019, the Company recorded an impairment of $985,653 on several properties for claims that were not renewed.

(Expressed in Canadian Dollars)

9. Reclamation deposits

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

		February 29, 2020		February 28, 2019
Balance, beginning	$	31,760	$	94,284
Changes during the year		22,462		(62,524)
Balance, ending	$	54,222	$	31,760

10. Trade payables and accrued liabilities

		February 29, 2020		February 28, 2019
Trade payables	$	106,826	$	42,272
Amounts due to related parties (Note 14)		62,233		6,478
Accrued liabilities		20,000		20,851
	$	189,059	$	69,601

11. 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 year ended February 29, 2020 and February 28, 2019:

		February 29, 2020
Balance, beginning	$	-
Additions, net		78,575
Payments made		(29,018)
Interest recorded		5,066
Balance, ending	$	54,623

		February 29, 2020
Current portion	$	24,250
Long term portion		30,373
	$	54,623

(Expressed in Canadian Dollars)

12. Convertible debentures

On September 16, 2019, the Company issued secured convertible debentures for gross proceeds of $700,000. The debentures bore interest at 12% and were convertible into common shares of the Company at a price of $0.32 per share. The debentures were secured by the METC proceeds (Note 5). If not converted to shares, the debentures were repayable the earlier of March 16, 2021, and 10 days after receipt of the METC proceeds.

The debentures were initially recognized at the face value of $700,000. The fair value of the debentures was determined by discounting the future cash flows at a market rate of interest of 18% and the difference of $52,837 was recorded as the equity component.

On January 10, 2020, the Company received the METC proceeds of $1,082,286 and in January 2020, the Company repaid the debentures plus interest for a total of $742,000. During the year ended February 29, 2020, accretion and interest of $94,837 were included in interest expense in the consolidated statement of income (loss) and comprehensive income (loss).

The following table summarizes the debenture transactions for the year ended February 29, 2020 and February 28, 2019:

		February 29, 2020
Equity component	$	52,837
Liability component, at date of issuance	$	647,163
Interest and accretion		94,837
Payment		(742,000)
	$	-

13. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At February 29, 2020, there were 109,173,573 issued and fully paid common shares (February 28, 2019 – 92,849,668).

Year ended February 29, 2020

On January 16, 2020, the Company closed a non-brokered private placement financing, issuing 3,863,572 units at a price of $0.18 per unit for gross proceeds of $695,443. Each unit consisted of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.26 per share for a period of two years following the closing of the financing. Finders' fees of $6,004 in cash and 33,360 finders' warrants with a fair value of $4,057 were paid in relation to the financing. The finders' warrants are exercisable at a price of $0.26 for a period of two years from the date of issuance. The Company also incurred other costs of $8,718.

13. Share capital and reserves (cont'd)

Issued share capital (cont'd)

Year ended February 29, 2020

On December 19, 2019, the Company completed the second tranche of a non-brokered private placement financing, issuing 884,000 flow-through common shares at a price of $0.24 per share for gross proceeds of $212,160. Finders' fee of $14,851 in cash and 52,850 finders' warrants with a fair value of $6,130 were paid in relation to the second tranche of the flow-through financing. The finders' warrants are exercisable at a price of $0.25 for a period of two years from the date of issuance. The Company also incurred other costs of $6,459.

On December 17, 2019, the Company completed the first tranche of a non-brokered private placement financing, issuing 5,968,000 flow-through common shares at a price of $0.24 per share for gross proceeds of $1,432,320. Finders' fee of $91,022 in cash and 379,260 finders' warrants with a fair value of $41,085 was paid in relation to the first tranche of the flow-through financing. The finders' warrants are exercisable at a price of $0.25 for a period of two years from the date of issuance. The Company also incurred other costs of $18,688.

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 on the Top Cat project (Note 8).

On August 2, 2019, the Company issued 100,000 shares at a fair value of $27,000 pursuant to the option agreement on the Top Cat project (Note 8).

On July 19, 2019, the Company issued 25,000 shares at fair value of $6,500 each to Kwadacha First Nation and Tsay Keh Dene Nation pursuant to the exploration agreement on the Atty property (Note 8).

On May 17, 2019, 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. Share issuance costs of $12,955 were incurred in connection with the private placement.

During the year ended February 29, 2020, the Company recorded flow-through share premium liability of $770,260 related to the value of flow-through component.

During the year ended February 29, 2020, 200,000 stock options were exercised for gross proceeds of $12,000.

During the year ended February 29, 2020, 325,000 warrants were exercised for gross proceeds of $71,500.

Year ended February 28, 2019

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 (Note 8).

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 (Note 8).

During the year ended February 28, 2019, the Company incurred share issue costs of $13,617 in connection with the above issuances.

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.

13. Share capital and reserves (cont'd)

Basic and diluted loss per share

The basic and diluted loss per share for the year ended February 29, 2020 was $0.04 (February 28, 2019 – $0.00 basic and diluted income per share). The calculation of basic and diluted loss per share for the year ended February 29, 2020 was based on the loss attributable to common shareholders of $3,505,444 (February 28, 2019 – $171,749 income attributable to common shareholders) and the weighted average number of common shares outstanding of 98,880,799 (February 28, 2019 – 90,212,174). The diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive. At February 29, 2020, the total number of potentially dilutive warrants was 2,397,252 (February 28, 2019 – 2,150,000) and the total number of potentially dilutive stock options was 9,320,000 (February 28, 2019 – 6,195,000). The aggregate number of potentially dilutive shares was 11,717,252 (February 28, 2019 – 8,345,000).

Warrants

In connection with the January 16, 2020 private placement, 1,931,782 warrants were issued. Each warrant gives the holder the right to acquire a further common share of the Company at a price of $0.26 for a term of 2 years. Proceeds from the private placement were allocated between warrants and shares based on relative fair value and the warrants were valued at $156,148 using the Black-Scholes pricing model with the following assumptions: risk-free rate of 1.55%, volatility of 122.81%, dividends of nil, and expected life of 2 years.

In connection with the January 16, 2020 private placement, 33,360 finders' warrants were issued. Each warrant gives the holder the right to acquire a common share of the Company at a price of $0.26 for a term of 2 years. The finders' warrants were valued at $4,056 using the Black-Scholes pricing model with the following assumptions: a risk-free rate of 1.55%, volatility of 122.81%, dividends of nil, and expected life of 2 years.

In connection with the December 19, 2019 private placement, 52,850 finders' warrants were issued. Each finders' warrant gives the holder the right to acquire a common share of the Company at a price of $0.25 for a term of 2 years. The finders' warrants were valued at $6,131 using the Black-Scholes pricing model with the following assumptions: a risk-free rate of 1.67%, volatility of 123.36%, dividends of nil, and expected life of 2 years.

In connection with the December 17, 2019 private placement, 379,260 finders' warrants were issued. Each finders' warrant gives the holder the right to acquire a common share of the Company at a price of $0.25 for a term of 2 years. The finders' warrants were valued at $41,085 using the Black-Scholes pricing model with the following assumptions: a risk-free rate of 1.69%, volatility of 123.41%, dividends of nil, and expected life of 2 years.

During the year ended February 28, 2019, 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.

(Expressed in Canadian Dollars)

13. Share capital and reserves (cont'd)

Warrants *(cont'd)*

The changes in warrants during the year ended February 29, 2020 and year ended February 28, 2019, are as follows:

	February 29, 2020		February 28, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	2,150,000	$ 0.22	4,850,100	$ 0.12
Warrants issued	2,397,252	0.26	2,200,000	0.22
Warrants exercised	(325,000)	0.22	(3,713,400)	0.12
Warrants expired	(1,825,000)	0.22	(1,186,700)	0.15
Warrants outstanding, ending	2,397,252	$ 0.26	2,150,000	$ 0.22

Warrants outstanding at February 29, 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.

The changes in stock options during the year ended February 29, 2020 and year ended February 28, 2019, are as follows:

	February 29, 2020		February 28, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	6,195,000	$ 0.11	8,270,000	$ 0.10
Options granted	3,350,000	0.23	1,800,000	0.15
Options exercised	(200,000)	0.06	(2,050,000)	0.08
Options expired	(25,000)	0.23	(1,825,000)	0.12
Options outstanding, ending	9,320,000	$ 0.16	6,195,000	$ 0.11
Options exercisable, ending	8,674,167	$ 0.15	6,195,000	$ 0.11

(Expressed in Canadian Dollars)

13. Share capital and reserves (cont'd)

Stock options *(cont'd)*

Details of options outstanding as at February 29, 2020 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.05 - $0.095	1.05 years	2,445,000	2,445,000
$0.15 - $0.30	3.25 years	6,875,000	6,229,167
	2.68 years	9,320,000	8,674,167

During the year ended February 29, 2020, the Company granted 3,350,000 (2019 – 1,800,000) stock options with a weighted average fair value of $0.23 (2019 – $0.15) per option. The Company recorded share-based payments of $613,403 (2019 – $231,104) relating to options vested during the year.

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

	February 29, 2020	February 28, 2019
Expected life of options	4.73 years	4.67 years
Annualized volatility	127.79%	124.32%
Risk-free interest rate	1.50%	2.03%
Dividend rate	0%	0%

Warrant and other reserve

Warrant and other reserve comprise share-based payments and warrant payments. When stock options or warrants are exercised, the corresponding amount is transferred to share capital. When stock options and warrants expire, the corresponding amount is transferred to share-based payment reserve.

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:

		February 29, 2020
Balance, beginning of year	$	-
Additions		770,260
Reversal		(442,553)
Balance, end of year	$	327,707

As at February 29, 2020, the Company is committed to spending approximately $1,615,427 in connection with its flow-through offerings (February 28, 2019 - $Nil).

(Expressed in Canadian Dollars)

14. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 10). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

		February 29, 2020		February 28, 2019
Directors and officers of the Company	$	62,233	$	6,478

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:

		Year ended February 29, 2020		Year ended February 28, 2019
Management fees	$	181,759	$	185,432
Consulting (1)		154,374		113,765
Director fees (2)		79,381		51,000
Share-based payments		531,327		195,074
	$	946,841	$	545,271

(1) Includes accounting fees paid to a company controlled by the CFO of $67,614 (2018: $85,640).

(2) Of the $79,381 in director fees, $19,000 was accrued

15. Commitments

On April 1, 2019, 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.

16. 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.

There are three levels of the fair value hierarchy as follows:

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.

(Expressed in Canadian Dollars)

16. 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 year.

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

17. Income tax

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

		2020		2019
Net income (loss)	$	(3,505,444)	$	171,749
Expected income tax recovery	$	(946,000)	$	46,000
Deductible and non-deductible amounts		(1,013,000)		(721,000)
Share issuance cost		(56,000)		(4,000)
Change in unrecognized deductible temporary differences		2,015,000		679,000
Total income tax recovery	$	-	$	-

(Expressed in Canadian Dollars)

17. Income tax (cont'd)

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

	2020	2019
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ 1,117,000	$ (551,000)
Investment tax credits	264,000	264,000
Equipment	37,000	27,000
Share issue costs	51,000	10,000
Capital lease obligations	14,000	-
Right-of-use asset	(15,000)	-
Non-capital losses	2,681,000	2,385,000
Valuation allowance	(4,149,000)	(2,135,000)
Net deferred tax liability	$ -	$ -

The Canadian non-capital losses carry forward at February 29, 2020 is $9,929,266 and will expire between 2026 – 2040.

18. Subsequent events

COVID-19

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). The Company continues to operate its business and its exploration activity forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations, cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020.

Expired options

On March 31, 2020, 250,000 stock options expired without exercise. Of the 250,000 stock options, 200,000 had an exercise price of $0.15 and 50,000 had an exercise price of $0.23.

Shares for debt settlement

On June 15, 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.

Atty property

Subsequent to February 29, 2020, 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 and the properties will be written down.