



# INTERIM MANAGEMENT DISCUSSION AND ANALYSIS

## QUARTERLY HIGHLIGHTS<sup>1</sup>

FOR THE FIRST QUARTER ENDED

MAY 31, 2016

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<sup>1</sup> The Company has adopted the option provided in Section 2.2.1 of National Instrument 51-102F1 for a venture issuer to provide “Quarterly Highlights” as set out in that section. This filing is the Company’s first such filing using this option.

## INTRODUCTORY COMMENT

Serengeti Resources Inc. is a junior mineral exploration company listed on the TSX Venture Exchange under the trading symbol "SIR". The Company's exploration strategy emphasizes copper-gold projects in the Quesnel Trough and Stikine Arch areas of British Columbia, including the advancement of Kwanika – its principal resources-stage property. This Management Discussion and Analysis ("MD&A") is dated July 29, 2016 and discloses specified information up to that date. Serengeti is classified as a "venture issuer" for the purposes of National Instrument 51-102. This MD&A should be read in conjunction with the Company's interim financial statements which are prepared in accordance with International Financial Reporting Standards as issued by the IASB applicable to interim financial statement.

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

During the quarter ended May 31, 2016, Serengeti had two principal areas of focus: advancement of its flagship Kwanika copper-gold resource-stage project located in British Columbia and maintenance of its extensive portfolio of properties in the Quesnel Trough and Stikine Arch of British Columbia.

### Preparation of MD&A on a "Quarterly Highlights" basis

Effective with this first interim quarter in our 2016-2017 fiscal year we have the option under Section 2.2.1 of National Instrument 51-102F1 to provide our interim MD&A disclosure under the "Quarterly Highlights" regime set out in that section of the instrument. We have elected to follow that option in this and in our subsequent filings of interim MD&A.

## QUARTERLY HIGHLIGHTS

### FINANCIAL CONDITION

We ended the fiscal quarter with a healthy working capital position of \$1,025,538 compared to a working capital deficiency (negative working capital) of \$52,905 at the February 29, 2016 fiscal year end. The aggregate improvement in the working capital measure was \$1,078,443. The principal source of this improvement was the receipt of \$1,200,000 from Daewoo Minerals Canada as set out in Note 6(a).

### FINANCIAL PERFORMANCE

#### EXPENSES AND NET LOSS

For the quarter ended May 31, 2016, net loss was attributable entirely to operating expenses as was the case for the prior year's comparable fiscal quarter. Total expenses were \$127,743 compared to \$113,870 recorded during the same period in 2015, representing an increase of \$13,873 or 12%. Included in expenses is a non-cash charge of \$40,153 (2015 - \$nil) for share-based compensation payments. After deducting this non-cash amount for share-based payments, the remaining expenses totaled \$87,590 (2015 - \$113,870) representing a decrease of 23%. The only expense item with a variance of more than \$5,000 was wages and salaries, nil in the 2016 fiscal quarter. This arose from the fact that there were no staff positions in the 2016 year with salaries charged to this cost centre<sup>2</sup>. The reductions in most other cost centres, with the exceptions of *Office and miscellaneous* and *Professional fees*, were attributable to a general and ongoing campaign to minimize general and administrative costs.

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<sup>2</sup> It should be noted that there is an expense cost centre *Management fees* which represents the portion of salary compensation paid to the President and CEO which is not charged to project costs.

## CASH FLOWS

The Statement of Cash Flows sets out that our net cash position increased by \$1,088,808 in the first fiscal quarter of 2016. This increase is entirely attributable to the receipt of \$1,200,000 from Daewoo Minerals Canada as set out in Note 6(a), offset by \$78,571 in cash consumed by our operations and \$32,621 in cash applied to our exploration and evaluation assets, of which most was applied to the Kwanika Project.

## LIQUIDITY AND CAPITAL RESOURCES

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

The section *Private placement subsequent event* immediately following sets out a material additional enhancement of our liquidity and capital resources negotiated subsequent to May 31, 2016.

As set out in Note 9 Commitments we are committed to expend \$785,000 on the Kwanika Project, and committed to repay \$187,436 plus any increases subsequent to May 31, 2016 in notes payable to certain officers and directors, on or before September 15, 2016.

### Private placement subsequent event

By news releases dated July 13 and 22, 2016 we have advised the negotiation of a private placement expected to generate gross proceeds of \$660,000. This placement will significantly enhance our uncommitted cash and working capital positions. This placement is subject to normal closing conditions including regulatory acceptance and is estimated to close on or before August 5, 2016. *This statement is forward-looking information and is fully subject to our "Cautionary Statements" disclaimer on the final page of this document.*

## COMMITMENTS

Pursuant to the formation of the unincorporated joint venture to explore the Kwanika Property set out in Note 6(a) the Company is committed to expend \$800,000 of joint venture funds on the project. As at May 31, 2016 \$15,000 had been so expended leaving \$785,000 of committed but unexpended joint venture funds which are included in our cash position at that date. We are also committed to repay \$187,436 plus any increases subsequent to May 31, 2016 in notes payable to certain officers and directors, on or before September 15, 2016.

## MAJOR OPERATING MILESTONES

### Agreement with Daewoo

On April 6, 2016, the Company announced the closing of a transaction with Daewoo Minerals Canada Corp. ("DMC"), a 100% owned Canadian subsidiary of Posco Daewoo Corp, one of South Korea's leading trading corporations, whereby DMC may earn up to a 35% interest in Serengeti's Kwanika copper-gold project by providing funding of \$8.2 million. An initial \$1.2 million investment has been paid into the joint venture account from which Serengeti has been paid an up-front cash operating fee of \$400,000.

The principal business terms of the deal are as follows:

- DMC is committed to fund \$1.2 million in expenditures in the first year to earn an initial 5% interest in the Kwanika project of which \$0.8 million will be for project expenditures and \$0.4 million paid directly to Serengeti as an operator's fee.

- DMC may earn an additional 30% interest in the project by funding an additional \$7 million over the subsequent two years for aggregate expenditures of \$8.2 million over three years to earn an aggregate 35% project interest.

On June 21, 2016, the Company announced the start of summer exploration at the Kwanika Project. This program is fully funded by proceeds from the initial \$1.2 million investment by DMC.

On July 27, 2016, we reported that drilling has commenced at its Kwanika copper-gold resource-stage project located in Quesnel Trough of British Columbia. This program is being fully funded by Daewoo Minerals Canada, a subsidiary of Posco-Daewoo, one of South Korea's leading corporations.

### **Projects summary**

At the date of writing, Serengeti holds a 100% interest in 13 properties in BC, a 95% interest in Kwanika, plus a 50% JV interest in one and a 65% JV interest in one additional property in joint venture with Fjordland Exploration Inc. The properties are located in the Quesnel Trough and Stikine Arch of British Columbia. The Quesnel Trough is host to the Kemess, Mt. Milligan and Mt. Polley porphyry copper-gold deposits and the Stikine Arch to Red Chris and Galore Creek porphyry copper-gold deposits. Details of Serengeti's property portfolio in BC can be found on the Company's website at [www.serengetiresources.com](http://www.serengetiresources.com).

## **SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

### **Key management personnel compensation**

During the first interim quarter ended May 31, 2016, the Company incurred salaries of \$42,000, a portion of which is deferred (see note below) to David Moore, Chief Executive Officer, and consulting fees of \$7,565 to a company controlled by Sheri Rempel, Chief Financial Officer, and \$4,505 to a company controlled by Pamela White, Corporate Secretary.

### **Related party balances**

As set out in Note 8, at the financial statement date we were indebted to certain senior officers and directors of the Company by a total of \$187,436. This amount increased by \$13,815 during the first fiscal quarter. These amounts are due and payable by September 15, 2016.

## **OTHER MD&A DISCLOSURE REQUIREMENTS**

### **Information Available on SEDAR**

As specified by National Instrument 51-102, Serengeti advises readers of this MD&A that important additional information about the Company is available on the SEDAR website <http://www.sedar.com/>

### **Disclosure by Venture Issuer Without Significant Revenue**

An analysis of the material components of the Company's general and administrative expenses is disclosed in the financial statements to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company's mineral properties is disclosed in Note 3 to the financial statements.

### Outstanding Share Data

Common shares, stock options and share purchase warrants issued and outstanding as at the quarter end are described in detail in Note 10 to the financial statements dated May 31, 2016, which as of July 29, 2016 are as follows:

	Number of shares	\$	Number of options	Exercise price	Expiry date
<b>Issued and outstanding</b>	63,120,821	38,781,638	740,000	\$0.20	Jan 19, 2017
			1,750,000	\$0.12	Mar 20, 2018
			75,000	\$0.12	Mar 28, 2018
			150,000	\$0.07	June 1, 2018
			200,000	\$0.135	July 27, 2018
			1,275,000	\$0.06	Jan 16, 2019
			50,000	\$0.08	Jun 22, 2019
			1,900,000	\$0.05	Feb 10, 2021
			1,320,000	\$0.07	Apr 27, 2021
			50,000	\$0.095	Jul 7, 2021
			7,510,000	\$0.09	
			<b>Number of warrants</b>	Exercise price	Expiry date
			3,528,400	\$0.05	Nov 6, 2018
			8,492,200	\$0.05	Nov 19, 2018
			12,020,600	\$0.05	

Vancouver, British Columbia

July 29, 2016

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

#### Cautionary Statements

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