

SEARCH MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

Search Minerals Inc.

Condensed Interim Consolidated Financial Statements

Nine months ended August 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

	Notes	August 31, 2021 \$	November 30, 2020 \$
ASSETS			
Current assets			
Cash		2,041,556	100,797
Receivables	6	182,652	15,703
Prepaid expenses and other assets		223,169	30,206
		<u>2,447,377</u>	<u>146,706</u>
Non-current assets			
Property, equipment and right of use asset		226,820	241,409
Reclamation deposits		50,000	50,000
Staking deposits		27,450	27,450
Exploration and evaluation expenditures (Schedule 1)	7	15,019,884	13,437,490
		<u>17,771,531</u>	<u>13,903,055</u>
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Current liabilities			
Trade payables	8	467,002	489,909
Due to related parties	8,13	232,735	1,121,619
Promissory notes	10	-	388,726
Lease obligations	9	-	217,974
		<u>699,737</u>	<u>2,218,228</u>
Non-current liabilities			
Line of credit	11	120,000	80,000
		<u>819,737</u>	<u>2,298,228</u>
Equity attributable to shareholders			
Share capital	12	33,158,138	26,806,950
Subscriptions received in advance	12	4,468	-
Warrants		708,446	641,390
Contributed surplus		4,723,167	4,051,191
Deficit		<u>(21,642,425)</u>	<u>(19,894,704)</u>
		<u>16,951,794</u>	<u>11,604,827</u>
		<u>17,771,531</u>	<u>13,903,055</u>

Nature of Operations (Note 1)

Going Concern (Note 2)

Subsequent Events (Notes 12(d) and 15)

Approved by the Board of Directors on November 1, 2021

"Jocelyn Bennett"
Jocelyn Bennett

Director

"Leo Power"
Leo Power

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the three and nine months ended August 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

	Notes	For the three months ended August 31,		For the nine months ended August 31,	
		2021 \$	2020 \$	2021 \$	2020 \$
GENERAL AND ADMINISTRATIVE EXPENSES					
Accounting and audit		16,819	8,323	51,697	39,424
Administration and management fees	13	145,000	45,000	236,667	135,000
Amortization		13,246	19,395	39,738	65,977
Consulting fees	13	104,250	14,002	111,250	42,469
Legal fees		40,970	13,293	79,620	38,588
Non-executive directors fees	13	27,000	13,500	58,500	40,500
Office and miscellaneous		19,087	15,305	79,848	56,662
Regulatory and transfer agent fees		15,428	6,885	81,368	35,838
Rent		5,079	4,854	16,426	14,620
Share-based compensation – stock options		930,159	-	930,159	-
Loss for the period before other items		(1,317,038)	(140,557)	(1,685,273)	(469,078)
Other income (expense) items					
Accretion expense	10	-	(29,576)	(14,443)	(52,199)
Amortization of transaction costs		-	(31,072)	-	(70,238)
Finance charges on leases		(10)	(5,349)	(279)	(16,460)
Interest expense	10	-	(59,124)	(30,895)	(141,437)
Gain on debt settlements		-	21,192	-	21,192
Loss on debt refinancing	10	-	-	(16,831)	(80,920)
Loss and comprehensive loss for the period		(1,317,048)	(244,486)	(1,747,721)	(809,140)
Basic and diluted loss per share	12(e)	(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares outstanding		328,027,631	231,554,533	305,364,121	230,698,172

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended August 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

	2021 \$	2020 \$
Cash (used in) provided by		
OPERATING ACTIVITIES		
Loss for the period	(1,747,721)	(809,140)
Items not affecting operating cash:		
Amortization	39,738	65,977
Share-based compensation – stock options	930,159	-
Accretion expense	14,443	52,199
Amortization of transaction costs	-	70,238
Gain on debt settlements	-	(21,192)
Loss on debt settlement / refinancing	16,831	80,920
	<u>(746,550)</u>	<u>(560,998)</u>
Changes in non-cash working capital items:		
Taxes recoverable	(166,949)	(8,518)
Prepaid expenses and other assets	(192,963)	(13,731)
Accounts payable and accrued liabilities	(496,418)	104,193
	<u>(1,602,880)</u>	<u>(479,054)</u>
INVESTING ACTIVITIES		
Mineral property costs, net	(1,902,353)	(604,014)
Purchase of property and equipment	(235,149)	-
	<u>(2,137,502)</u>	<u>(604,014)</u>
FINANCING ACTIVITIES		
Issuance of common shares	6,166,925	20,000
Subscriptions received in advance	4,468	-
Share issuance costs	(178,614)	(750)
Proceeds on issuance of convertible debentures	-	650,000
Transaction costs	-	(50,000)
Proceeds from line of credit	40,000	80,000
Proceeds on issuance of promissory note	146,706	100,000
Repayment of promissory note	(196,706)	(50,000)
Repayment of demand loans	(370,000)	-
Principal repayment of lease obligation	(7,974)	(56,210)
Government assistance	76,336	200,370
	<u>5,681,141</u>	<u>893,410</u>
Increase (decrease) in cash during the period	1,940,759	(189,658)
Cash, beginning of the period	100,797	228,101
Cash, end of the period	<u>2,041,556</u>	<u>38,443</u>
Cash paid for interest	36,351	76,250
Cash paid for income taxes	-	-

Non-cash Transactions (Note 14)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended August 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

	Number of Shares #	Share Capital \$	Share proceeds received in advance \$	Warrants \$	Contributed Surplus \$	Equity Component of Convertible Debenture \$	Deficit \$	Total \$
Balance, November 30, 2019	228,775,848	24,744,906	50,000	598,141	3,678,784	-	(18,311,896)	10,759,935
IFRS 16 transition adjustment on December 1, 2019	-	-	-	-	-	-	(33,283)	(33,283)
Balance, November 30, 2019 (restated)	<u>228,775,848</u>	<u>24,744,906</u>	<u>50,000</u>	<u>598,141</u>	<u>3,678,784</u>	<u>-</u>	<u>(18,345,179)</u>	<u>10,726,652</u>
Issued during the period:								
For cash pursuant to flow through common shares	1,400,000	70,000	(50,000)	-	-	-	-	20,000
Less: Issue costs – cash	-	(750)	-	-	-	-	-	(750)
Pursuant to debt settlements	1,936,164	82,947	-	-	-	-	-	82,947
Equity component of convertible debenture	-	-	-	-	-	186,914	-	186,914
Issuance of warrants	-	-	-	16,962	-	-	-	16,962
Comprehensive loss for the period	-	-	-	-	-	-	(809,140)	(809,140)
Balance, August 31, 2020	<u>232,112,012</u>	<u>24,897,103</u>	<u>-</u>	<u>615,103</u>	<u>3,678,784</u>	<u>186,914</u>	<u>(19,154,319)</u>	<u>10,223,585</u>
Issued during the period:								
Pursuant to debt settlements	3,815,060	247,979	-	-	-	-	-	247,979
Pursuant to conversion of debentures	30,000,000	1,661,868	-	-	-	(223,374)	-	1,438,494
Equity component of convertible debenture	-	-	-	-	-	36,460	-	36,460
Issuance of warrants	-	-	-	26,287	-	-	-	26,287
Share-based payments	-	-	-	-	372,407	-	-	372,407
Comprehensive loss for the period	-	-	-	-	-	-	(740,385)	(740,385)
Balance, November 30, 2020	<u>265,927,072</u>	<u>26,806,950</u>	<u>-</u>	<u>641,390</u>	<u>4,051,191</u>	<u>-</u>	<u>(19,894,704)</u>	<u>11,604,827</u>
Issued during the period:								
For cash pursuant to private placement of units	33,900,000	2,195,000	-	89,000	-	-	-	2,284,000
For cash pursuant to flow through common shares	14,000,000	2,520,000	-	-	-	-	-	2,520,000
Less: Issue costs – cash	-	(178,614)	-	-	-	-	-	(178,614)
Less: Issue costs – finders' warrants	-	(32,955)	-	32,955	-	-	-	-
Pursuant to mineral property agreements	850,000	171,750	-	-	-	-	-	171,750
Pursuant to exercise of options	5,600,000	448,000	-	-	-	-	-	448,000
Pursuant to exercise of warrants	14,088,935	914,925	-	-	-	-	-	914,925
Subscriptions received in advance	-	-	4,468	-	-	-	-	4,468
Share-based payments	-	-	-	-	930,159	-	-	930,159
Transfer on exercise of warrants and options	-	313,082	-	(54,899)	(258,183)	-	-	-
Comprehensive loss for the period	-	-	-	-	-	-	(1,747,721)	(1,747,721)
Balance, August 31, 2021	<u>334,366,007</u>	<u>33,158,138</u>	<u>4,468</u>	<u>708,446</u>	<u>4,723,167</u>	<u>-</u>	<u>(21,642,425)</u>	<u>16,951,794</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

1. Nature of Operations

Search Minerals Inc. (the "Company") was incorporated under the provisions of the Business Corporation Act (British Columbia) on June 7, 2006. On May 3, 2007, the Company commenced trading on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SMY.V". On July 7, 2021, the Company commenced trading on the OTCQB® Venture Market in the United States operated by the OTC Markets Group Inc. under the stock symbol "SHCMF". The Company is in the business of mineral exploration involving acquiring, exploring and evaluating mineral resource properties. At August 31, 2021, the Company was in the exploration and evaluation stage and had properties located in Canada. The Company's corporate head office is located at 108, 901 West 3rd Street, North Vancouver, British Columbia, Canada.

The Company is currently exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The amounts shown as mineral properties represent costs incurred to date, less amounts recovered from third parties and/or written-down, and do not necessarily represent current or future fair values.

2. Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

At August 31, 2021, the Company had not yet achieved profitable operations, had an accumulated deficit of \$21,642,425 since inception and expects to incur further losses in the development of its business. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The above factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

3. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting.

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended November 30, 2020 except as outlined in Note 4.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Unless otherwise stated, all dollar amounts are in Canadian dollars.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended August 31, 2021
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4. New and future accounting standards and pronouncements

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable and/or are not expected to have a significant impact on the Company's financial statements.

5. Critical Accounting Estimates and Judgements

There have been no material revisions to the nature of judgements and amount of changes in estimates reported in the company's November 30, 2020 annual financial statements

6. Receivables

	August 31, 2021 \$	November 30, 2020 \$
GST receivable	182,652	15,703
Total receivables	182,652	15,703

7. Mineral Properties – Schedule 1

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claims of title.

The Company acquired the mineral properties primarily by staking the claims. In order to maintain title to the claims, the Company must incur minimum exploration expenditures per claim as specified by the Mineral Act of the Province of Newfoundland and Labrador. In lieu of incurring the minimum expenditures, the Company may make security deposits with the Government of Newfoundland and Labrador. Other commitments relating to mineral properties are as follows:

Critical Rare Earth Element (“CREE”) District, Labrador

The Company acquired the CREE District primarily by staking the claims. In addition, the Company acquired the B and A Claims and the Quinlan Property.

B&A Claims

On December 10, 2009, the Company entered into a binding letter of intent (the “LOI”) with B&A Minerals Limited (“B&A”), further defined in a Mining Option Agreement, for an option to acquire an undivided 100% interest in and to certain claims in southeast Labrador owned by B&A (“B&A Claims”). The B&A claims host the Company's Foxtrot Project.

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in the B&A Claims, the Company paid B&A an aggregate of \$140,000 and issuing an aggregate 1,100,000 common shares of the Company. The final payment and share issuance was made in January 2013. The Company now owns a 100% interest in the property.

The Mining Option Agreement is subject to a 3% net smelter return in favor of B&A, of which the Company can purchase 2% at any time for \$2,000,000 (Note 15).

Quinlan Property

On January 13, 2011, the Company entered into a binding letter of intent (the “LOI”) with Andrew Quinlan, Roland Quinlan and Tony Quinlan (the “Vendors”). Pursuant to the LOI, the Company had the option to earn an undivided 100% interest in and to certain claims owned by the Vendors known as the Fox Harbour Claims (the “Quinlan Property”). The Quinlan Property is comprised of three licenses totaling 48 claims located east of St. Lewis, Labrador. The Quinlan Property hosts the Company's Deep Fox Project.

Under the terms of the LOI, the Company earned an undivided 100% interest in Quinlan Property by making aggregate cash payments of \$90,000 and issuing an aggregate of 300,000 common shares of the Company.

The Vendors were granted a 1.5% net smelter return royalty (“NSR”). The Company may, at any time, purchase 1% of the net smelter return royalty for \$1,000,000. The Company must make annual cash advance payments of \$10,000 for the Quinlan Property to the Vendors commencing February 23, 2016 and continuing each year thereafter until commencement of commercial production,

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For the nine months ended August 31, 2021

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deductible against the NSR. During the year ended November 30, 2018, the Company paid the third \$10,000 annual cash payment. On February 1, 2019, the Company paid the fourth \$10,000 annual cash payment. On January 31, 2020, the Company paid the fifth \$10,000 annual cash payment. On January 31, 2021, the Company paid the sixth \$10,000 annual cash payment.

Option Agreement - Two Tom Property

On June 14, 2021, the Company entered into an option agreement (the "Option Agreement") with United Gold Inc, Aubrey Budgell and Donna Lewis (the "Vendors") for an option to acquire an undivided 100% interest in and to certain claims known as the Two Tom Property (the "Two Tom Property"). The Two Tom Property is part of the Port Hope Simpson CREE District.

The Two Tom Property consists of two licenses (027378M and 016522M) totaling 20 claims.

Under the terms of the Option Agreement, the Company may earn the undivided 100% interest in the Two Tom Property by making aggregate cash payments of \$200,000 and issue an aggregate of 1,600,000 common shares of the Company over a period of three years as follows:

- pay \$40,000 (paid) and issue 400,000 common shares on the acquisition date (issued at the fair value of \$84,000);
- pay \$50,000 and issue 400,000 common shares on or before July 2, 2022;
- pay \$50,000 and issue 400,000 common shares on or before July 2, 2023; and,
- pay \$60,000 and issue 400,000 common shares on or before July 2, 2024.

The Vendors were granted a 3.0% net smelter return royalty. The Company may, at any time, purchase 2.0% of the net smelter return royalty for \$2,000,000.

Red Wine Property, Labrador

On June 28, 2015, the Company purchased from Great Western Minerals Group Ltd. ("GWMG") its interest in the Red Wine Property for \$20,000. GWMG had acquired its approximate 50% interest in the Red Wine Property pursuant to an option agreement between the Company and GWMG dated July 23, 2010. Following the acquisition, the Company now owns 100% of the Red Wine Property.

Letter Agreement – Mann Property and Two Tom Property claim

On June 15, 2021, the Company entered into a binding letter agreement (the "Letter Agreement") with Roland Quinlan and Eddie Quinlan (the "Vendors") for an option to acquire an undivided 100% interest in and to certain claims known as the Mann#1 claims (the "Mann Property") and another claim proximal to Two Tom Property. The Mann Property claims are part of the Red Wine district.

The Mann Property consists of two licenses, 027380M (4 claims) and the Two Tom Property consists of license 027384M (20 claims).

Under the terms of the Letter Agreement, the Company may earn the undivided 100% interest in the claims by making aggregate cash payments of \$200,000 and issue an aggregate of 1,600,000 common shares of the Company over a period of four years as follows:

- pay \$20,000 (paid) and issue 400,000 common shares on the acquisition date (issued at the fair value of \$84,000);
- pay \$30,000 and issue 400,000 common shares on or before July 2, 2022;
- pay \$60,000 and issue 400,000 common shares on or before July 2, 2023;
- pay \$60,000 and issue 300,000 common shares on or before July 2, 2024; and,
- pay \$30,000 and issue 100,000 common shares on or before July 2, 2025.

The Vendors were granted a 3.0% net smelter return royalty. The Company may, at any time, purchase 2.5% of the net smelter return royalty for \$2,000,000.

Impairment of Mineral Properties

As at August 31, 2021, the Company determined that there were no impairment indicators for the claims located in the CREE District.

NunatuKavut Community Council

On August 27, 2012, as amended on November 13, 2014, the Company entered into a Mining Exploration Activities Agreement with the NunatuKavut Community Council (the "NunatuKavut"), the political representative body of the Inuit of South-Central Labrador. The agreement solidifies a relationship that has evolved through the Company's activity in and around NunatuKavut communities on the south coast. The agreement sets out a respectful way forward, meeting the interests of and ensuring mutual benefit for both parties. Key elements in the agreement address environmental protocols and safeguards for matters of historic values. The

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

agreement also sets out hiring and business opportunities for NunatuKavut members and communities as well as certain financial considerations.

8. Payables

	August 31, 2021 \$	November 30, 2020 \$
Trade payables	467,002	484,341
Interest payable	-	5,568
Total trade payables	467,002	489,909
Due to related parties (Note 13)	232,735	1,121,619
Total payables	699,737	1,611,528

9. Lease obligations

Effective June 1, 2016, the Company entered into a lease agreement for a building to be used for storing samples, core shack, processing core and accommodations. The building is located in St. Lewis, in the Province of Newfoundland and Labrador. The monthly rent was \$7,000 per month with the lease expiring on December 31, 2022. At the end of the lease term, the Company had the option to extend the lease by five years or to purchase the property at the appraised value. In December 2020, the Company exercised the purchase option and acquired the building for \$210,000 plus acquisition costs. The Company reassessed the right-of-use assets and lease liability on November 30, 2020 based on the estimation that the future lease payments would change since the Company was reasonably certain that it would exercise the purchase option. As a result of the reassessment, the Company derecognized the carrying value of the original right-of-use asset and the lease liability, and some lease amounts in accounts payable relating to the building, and recognized a new lease liability and right-of-use asset of \$210,000 respectively, which is the purchase price of the building. On completion of the building purchase, the right-of-use asset and the lease liability were eliminated.

Effective July 1, 2019, the Company entered into a lease agreement for a vehicle. The monthly lease is \$1,179 per month with the lease expiring on June 30, 2021.

As at August 31, 2021 and November 30, 2020, the Company recognized lease obligations with regard to the leases as follows:

	August 31, 2021 \$	November 30, 2020 \$
Opening balance	217,974	-
Adoption of IFRS 16	-	246,118
Adjusted balance	217,974	246,118
Elimination of building lease	(210,000)	-
Lease payments	(8,253)	(97,208)
Finance charges on leases	279	21,299
Lease modification	-	47,765
Ending balance – current liability	-	217,974

The following is a schedule of the Company's future minimum lease payments related to the field house and vehicle lease obligation as at August 31, 2021 and November 30, 2020:

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(Unaudited - Expressed in Canadian dollars)

	August 31, 2021 \$	November 30, 2020 \$
2021	-	218,253
Total minimum lease payments	-	218,253
Less: imputed interest	-	(279)
Total present value of minimum lease payments	-	217,974
Less: Current portion	-	(217,974)
Non-current portion	-	-

10. Promissory Notes*InCoR Promissory Notes*

During the year ended November 30, 2020, the Company received an aggregate of \$100,000 in non-interest bearing, due on demand loans from InCoR secured against all assets of the Company. During the nine months ended August 31, 2021, the Company repaid the loans.

During the nine months ended August 31, 2021, the Company received a promissory note in the amount of US\$115,000 (CDN\$146,706) from InCoR. The promissory note matures on June 2, 2021 and bears interest at 24% per annum with a minimum interest period of six months. During the nine months ended August 31, 2021, the Company repaid the promissory note of US\$115,000 and interest of US\$13,800 (aggregate amount of CDN\$164,310).

Other Promissory Notes

On November 15, 2019, the Company received a promissory note in the amount of \$200,000 from an arms' length party. The promissory note matures on November 15, 2020 and bears interest at 10% per annum. Interest is payable quarterly. The Company also issued a total of 4,000,000 warrants to the promissory note holder. Each warrant is exercisable into one common share for one year at a price of \$0.05 per share.

On November 12, 2020, the lender agreed to extend the November 15, 2019 promissory note by one year to November 15, 2021 in exchange for issuing 4,000,000 warrants exercisable into one common share for one year at a price of \$0.05 per share. A new promissory note was signed between the two parties which replaced the original expiring promissory note. The new promissory note replacing the original promissory note was treated as a debt extinguishment. Since the carrying value of the existing promissory note was near \$200,000 as the expiration date was November 15, 2020 and the replacement consideration of the new promissory note is also \$200,000, there was no gain or loss as a result of the loan extinguishment. The Company determined the fair value of the new promissory note to be \$173,713, based on the net present value of future cash flows. The residual value of \$26,287, after subtracting the \$200,000 fair value of the new promissory note, was allocated to the warrants. During the nine months ended August 31, 2021, the Company repaid the promissory note and recorded a loss on debt settlement of \$16,831.

On March 16, 2020, the Company received a promissory note in the amount of \$100,000 from an arms' length party. The promissory note matures on March 16, 2021 and bears interest at 10% per annum. Interest is payable quarterly. The Company also issued a total of 2,000,000 warrants to the promissory note holder. Each warrant is exercisable into one common share for one year at a price of \$0.05 per share. The Company assigned the fair value of \$83,038 to the liability component and a value of \$16,962 to the warrants. During the year ended November 30, 2020, the Company repaid \$50,000 of the promissory note and during the nine months ended August 31, 2021, the Company repaid the remaining \$50,000 of the promissory note.

On November 28, 2020, the Company received a promissory note in the amount of \$70,000 from an arms' length party. The promissory note matures on November 28, 2021 and bears interest at 24% per annum with a minimum interest period of six months. During the nine months ended August 31, 2021, the Company repaid the promissory note.

During the nine months ended August 31, 2021, the Company recorded interest expense of \$30,895 (2020 - \$12,219), accretion expense of \$14,443 (2020 - \$nil) and amortization of transaction costs of \$nil (2020 - \$22,500) on the promissory notes.

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11. Line of Credit

During the year ended November 30, 2020, the Company obtained an unsecured \$120,000 line of credit as part of the government's economic response plan to the COVID-19 pandemic. The line of credit is interest free and is eligible for \$40,000 of forgiveness if \$80,000 is fully repaid by December 31, 2022. The Company borrowed \$120,000 from the line of credit as at August 31, 2021 and \$80,000 as at November 30, 2020. If not repaid in full by the maturity date, the line of credit will be converted into a loan at a fixed interest rate of 5% per annum with a maturity date of December 31, 2025.

12. Share Capital

a. Common shares authorized

Unlimited number of common shares.

334,366,007 outstanding at August 31, 2021 (November 30, 2020: 265,927,072).

b. Financings

During the nine months ended August 31, 2021, the Company completed the following financing:

i) *Private Placements of Units*

On January 6, 2021, the Company completed a private placement of 8,900,000 units at a price of \$0.06 per unit for gross proceeds of \$534,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company for a period of two years at a price of \$0.06 per common share in the first year and \$0.08 in the second year. A value of \$89,000 has been attributed to the warrants using the residual method.

Private Placement of Units

On March 11, 2021, the Company completed a private placement of 25,000,000 units at a price of \$0.07 per unit for gross proceeds of \$1,750,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to March 11, 2022. A value of \$nil has been attributed to the warrants using the residual method.

In connection with the private placement, the Company paid cash finders' fees of \$13,608 and issued 194,400 share purchase warrants entitling the holder thereof to purchase a common share of the Company at \$0.10 per common share up to March 11, 2022. The fair value of the finders' warrants, \$8,042, was estimated using the Black-Scholes option pricing model with the following assumptions: share price - \$0.12; exercise price - \$0.10; risk-free interest rate - 0.30%; expected life - 1.0 years; expected volatility - 70%; and expected dividends - nil.

Flow-Through Private Placement

On April 7, 2021, the Company completed a flow-through private placement of 14,000,000 flow-through common shares at a price of \$0.18 per flow-through share for gross proceeds of \$2,520,000. In connection with the private placement, the Company paid cash finders' fees of \$102,078 and issued 567,100 share purchase warrants entitling the holder thereof to purchase a common share of the Company at \$0.35 per common share up to April 7, 2022. The fair value of the finders' warrants, \$24,913, was estimated using the Black-Scholes option pricing model with the following assumptions: share price - \$0.21; exercise price - \$0.35; risk-free interest rate - 0.25%; expected life - 1.0 years; expected volatility - 93%; and expected dividends - nil.

In connection with the financings, the Company incurred other cash issue costs of \$62,928.

During the nine months ended August 31, 2020, the Company completed the following financing:

ii) *Flow-Through Private Placements of Common Shares*

On January 13, 2020, the Company completed a flow-through private placement of 1,400,000 flow-through common shares at a price of \$0.05 per flow-through common share for gross proceeds of \$70,000. The fair value of the flow-through premium was determined to be \$nil. As at November 30, 2019, the Company had received subscriptions of \$50,000.

In connection with the financing, the Company incurred cash issue costs of \$750.

Search Minerals Inc.

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(Unaudited - Expressed in Canadian dollars)

c. Stock option plan

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company.

Changes in share purchase options during the nine months ended August 31, 2021 and the year ended November 30, 2020 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2019	17,475,000	\$0.09	2.01
Granted	12,550,000	\$0.08	
Expired	(5,075,000)	\$0.10	
Outstanding, November 30, 2020	24,950,000	\$0.08	3.29
Granted	8,930,000	\$0.20	
Exercised	(5,600,000)	\$0.08	
Forfeited	(250,000)	\$0.08	
Outstanding and exercisable, August 31, 2021	28,030,000	\$0.12	3.73

The weighted average share price on the date of option exercise was \$0.17.

During the nine months ended August 31, 2021, the Company recorded share-based payment expense of \$930,159 (2020: \$nil). The weighted average fair value of share purchase options granted during the nine months ended August 31, 2021 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021
Stock price	\$0.16
Exercise price	\$0.20
Risk-free interest rate	1.00%
Expected life	5.0 years
Expected volatility	89%
Expected dividends	Nil

At August 31, 2021, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
7,300,000	\$0.08	February 7, 2023
11,800,000	\$0.08	November 17, 2025
8,930,000	\$0.20	August 18, 2026
<u>28,030,000</u>		

Search Minerals Inc.

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(Unaudited - Expressed in Canadian dollars)

d. Warrants

Changes in share purchase warrants during the nine months ended August 31, 2021 and the year ended November 30, 2020 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2019	40,864,434	\$0.06	1.73
Issued	36,000,000	\$0.05	
Expired	(4,000,000)	\$0.05	
Balance, November 30, 2020	72,864,434	\$0.06	3.16
Issued	22,161,500	\$0.09	
Exercised	(14,088,935)	\$0.06	
Balance, August 31, 2021	80,936,999	\$0.07	2.35

At August 31, 2021, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
⁽¹⁾ 10,529,400	\$0.10	September 30, 2021 ⁽¹⁾
567,100	\$0.35	April 7, 2022
⁽²⁾ 19,196,886	\$0.07	July 12, 2022
8,775,000	\$0.06 Y1 and \$0.08 Y2	January 6, 2023
3,140,988	\$0.07	July 5, 2023
8,727,625	\$0.05	June 17, 2024
30,000,000	\$0.05	November 12, 2025
<u>80,936,999</u>		

⁽¹⁾ Subsequent to August 31, 2021, 9,036,900 of these share purchase warrants were exercised for proceeds of \$903,690. As at August 31, 2021, the Company had received \$4,468 in cash. As the Company's shares had traded above \$0.14 for a period of twenty consecutive trading days, the expiry date of the warrants was accelerated from March 11, 2022 to September 30, 2021. On September 30, 2021, 1,492,500 of these share purchase warrants expired unexercised.

⁽²⁾ Subsequent to August 31, 2021, 100,000 of these share purchase warrants were exercised for proceeds of \$7,000.

e. Basic and diluted loss per share

During the nine months ended August 31, 2021, potentially dilutive common shares totaling 108,966,999 (2020: 115,264,434) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive. Potentially dilutive common shares are from exercisable share purchase options and share purchase warrants.

13. Related Party Transactions

During the nine months ended August 31, 2021 and 2020, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders of:

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

	Three months ended August 31,		Nine months ended August 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Administration and management fees	145,000	45,000	236,667	135,000
Consulting fees	93,750	-	93,750	-
Non-executive directors fees	27,000	13,500	58,500	40,500
Mineral property expenditures				
Geological consulting, salaries, wages and benefits	40,000	34,500	110,833	103,500
Metallurgical consulting	29,482	22,500	111,232	67,500
Share-based payments - options	708,296	-	708,296	-
	1,043,528	115,500	1,319,278	346,500

At August 31, 2021, due to related parties of \$232,735 (November 30, 2020: \$1,121,619) included amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

Key management includes the CEO, VP of Metallurgy, VP of Exploration and the directors of the Company. The compensation paid or payable to key management for services during the three and nine months ended August 31, 2021 and 2020 is as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term benefits	335,232	115,500	610,982	346,500
Share-based payments - options	708,296	-	708,296	-
	1,043,528	115,500	1,319,278	346,500

The InCoR loans disclosed in Note 10 are related party transactions as InCoR appointed two directors of the Company.

14. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the nine months ended August 31, 2021 the following transactions were excluded from the statement of cash flows:

- deferred exploration expenditures of \$525,329 included in accounts payable and accrued liabilities at August 31, 2021, less expenditures included in accounts payable at November 30, 2020 of \$940,702 (net inclusion of \$415,373);
- the issuance by the Company of 50,000 shares at the fair value of \$3,750 pursuant to a debt settlement;
- the issuance by the Company of 800,000 shares at the fair value of \$168,000 pursuant to mineral property agreements; and,
- 761,500 warrants at the fair value of \$32,955 issued as finders' fees (Note 12(b)).

During the nine months ended August 31, 2020 the following transactions were excluded from the statement of cash flows:

- deferred exploration expenditures of \$822,500 included in accounts payable and accrued liabilities at August 31, 2020, less expenditures included in accounts payable at November 30, 2019 of \$879,646 (net inclusion of \$57,146);
- the issuance by the Company of 500,000 shares at the fair value of \$25,000 and 50,000 shares at the fair value of \$2,500 pursuant to debt settlements;

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

- c) issuance by the Company of 1,386,164 shares at the fair value of \$55,447 pursuant to an interest settlement;
- d) government assistance of \$20,611 included in receivables at August 31, 2020; and,
- e) 2,000,000 warrants at the fair value of \$16,962 issued as a transaction cost for obtaining a promissory note.

15. Subsequent Events*Exercise of Warrants*

Subsequent to August 31, 2021, 100,000 share purchase warrants at \$0.07 were exercised for proceeds of \$7,000, 9,036,900 share purchase warrants at \$0.10 per share were exercised for proceeds of \$903,690, and 1,492,500 share purchase warrants expired.

B&A Transaction

B&A Minerals Limited currently holds a 3% Net Smelter Royalty ("NSR") Royalty (Note 7) over the licenses contained in a large portion of the Company's Critical Rare Earth Element District in SE Labrador. On August 11, 2021, the Company announced it had entered into a non-binding letter of intent ("LOI") to purchase a 2.5% NSR from B&A for 15,000,000 common shares. Additionally, the Company will acquire 3 full licenses from B&A and partial interest in two licenses. The Company will transfer one license to B&A and retain a 0.5% NSR. The Company will grant a 0.5% NSR over the five licenses above. The Company will grant B&A quarry/gem rights over four of the licenses to be transferred to the Company as part of the transaction in exchange for a 3% NSR to Search over any production from such quarry/gem rights. The 15,000,000 common shares will be restricted and released over 24 months, with 25% being released every 6 months following the closing of the transaction. On September 30, 2021, a definitive agreement was entered into and on October 13, 2021, the TSX-V provided approval of the acquisition. The closing of the acquisition is subject to the transfer of the licenses and the issuance of the 15,000,000 common shares.

Search Minerals Inc.
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the nine months ended August 31, 2021
(Unaudited - Expressed in Canadian Dollars)

	Critical Rare Earth Element District, Labrador \$	Red Wine, Labrador \$	Total \$
Balance, November 30, 2019	12,738,382	5,400	12,743,782
Acquisition costs			
Cash	10,000	-	10,000
	10,000	-	10,000
Deferred exploration costs			
Assays	124,933	-	124,933
Camp and rent	19,990	-	19,990
Engineering and metallurgy	146,699	-	146,699
Geological consulting, salaries, wages and benefits	243,948	-	243,948
Geotechnical reports and surveys	30,801	-	30,801
Government contributions	(155,384)	-	(155,384)
Metallurgical consulting	130,000	-	130,000
Other	134,539	-	134,539
Travel and accommodation	8,182	-	8,182
	683,708	-	683,708
Balance, November 30, 2020	13,432,090	5,400	13,437,490
Acquisition costs			
Cash	50,000	20,000	70,000
Shares	84,000	84,000	168,000
Staking costs	11,960	-	11,960
	145,960	104,000	249,960
Deferred exploration costs			
Assays	30,106	-	30,106
Camp and rent	46,326	-	46,326
Consulting	49,389	-	49,389
Drilling	756,105	-	756,105
Engineering and metallurgy	44,604	-	44,604
Geological consulting, salaries, wages and benefits (Note 13)	294,044	-	294,044
Government contributions	(76,336)	-	(76,336)
Metallurgical consulting (Note 13)	111,232	-	111,232
Travel and accommodation	19,376	-	19,376
Other	57,588	-	57,588
	1,332,434	-	1,332,434
Balance, August 31, 2021	14,910,484	109,400	15,019,884