

**SEARCH MINERALS INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

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**Search Minerals Inc.**

**Condensed Interim Consolidated Financial Statements**

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**Three months ended February 28, 2019 and 2018**

**(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	February 28, 2019 \$	November 30, 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		23,118	63,848
Receivables	5	143,631	37,092
Prepaid expenses and other assets		38,859	3,694
		<u>205,608</u>	104,634
<b>Non-current assets</b>			
Equipment		10,738	11,720
Reclamation deposits		50,000	50,000
Staking deposits		450	450
Exploration and evaluation expenditures (Schedule 1)	6	12,016,521	11,784,940
		<u>12,283,317</u>	11,951,744
<b>LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS</b>			
<b>Current liabilities</b>			
Trade payables	7	658,808	621,501
Due to related parties	7, 11	603,181	538,083
Demand loans	9	250,000	-
Convertible debentures	8	791,360	772,727
		<u>2,303,349</u>	1,932,311
<b>Non-current liabilities</b>			
Due to related parties	7, 11	69,000	75,000
		<u>2,372,349</u>	2,007,311
<b>Equity attributable to shareholders</b>			
Share capital	10	23,743,295	23,636,259
Warrants		185,923	175,923
Contributed surplus		3,400,900	3,400,900
Equity component of convertible debentures	8	160,635	160,635
Deficit		(17,579,785)	(17,429,284)
		<u>9,910,968</u>	9,944,433
		<u>12,283,317</u>	11,951,744

**Nature of Operations** (Note 1)

**Going Concern** (Note 2)

**Commitment** (Note 13)

**Subsequent events** (Notes 10(c) and 14)

Approved by the Board of Directors on April 29, 2019

\_\_\_\_\_  
*"Jocelyn Bennett"* Director  
Jocelyn Bennett

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*"Leo Power"* Director  
Leo Power

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 months ended February 28, 2019 and 2018  
(Unaudited - Expressed in Canadian dollars)

	Notes	2019 \$	2018 \$
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Accounting and audit		12,634	15,304
Administration and management fees	11	45,000	100,200
Amortization		982	1,584
Legal fees		4,956	24,104
Non-executive directors fees	11	13,500	16,500
Office and miscellaneous		8,961	12,856
Regulatory and transfer agent fees		16,141	17,155
Rent		4,530	4,530
Share-based compensation – stock options	10(c)	-	266,362
Shareholder communications		-	400
Travel and accommodation		3,726	1,455
<b>Loss for the period before other items</b>		<b>(110,430)</b>	<b>(460,450)</b>
<b>Other income (expense) items</b>			
Flow-through premium income	10(b)	10,000	8,000
Amortization of transaction costs		-	(11,125)
Accretion expense	8	(18,633)	(9,570)
Interest expense	8	(31,438)	(21,512)
<b>Loss and comprehensive loss for the period</b>		<b>(150,501)</b>	<b>(494,657)</b>
<b>Basic and diluted loss per share</b>	10(e)	<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>181,036,832</b>	<b>155,996,154</b>

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 three months ended February 28, 2019 and 2018**  
(Unaudited – Expressed in Canadian dollars)

	2019 \$	2018 \$
<b>Cash (used in) provided by</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(150,501)	(494,657)
Items not affecting cash:		
Amortization	982	1,584
Share-based compensation – stock options	-	266,362
Amortization of transaction costs	-	11,125
Accretion expense	18,633	9,570
Flow-through premium income	(10,000)	(8,000)
	<u>(140,886)</u>	<u>(214,016)</u>
Changes in non-cash working capital items:		
Taxes recoverable	(11,539)	60,970
Prepaid expenses and other assets	(35,165)	7,732
Accounts payable and accrued liabilities	34,659	76,978
	<u>(152,931)</u>	<u>(68,336)</u>
<b>INVESTING ACTIVITIES</b>		
Mineral property costs, net	(287,085)	(246,386)
Purchase of equipment	-	(2,458)
	<u>(287,085)</u>	<u>(248,844)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares	100,000	40,000
Share issuance costs	(714)	-
Issuance of demand loans	250,000	-
Government assistance	50,000	15,000
	<u>399,286</u>	<u>55,000</u>
Decrease in cash during the period	(40,730)	(262,180)
Cash, beginning of the period	63,848	293,508
Cash, end of the period	<u>23,118</u>	<u>31,328</u>
Cash paid for interest	-	2,977
Cash paid for income taxes	-	-

Non-cash Transactions (Note 12)

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 three months ended February 28, 2019 and 2018**  
(Unaudited - Expressed in Canadian dollars)

	Number of Shares #	Share Capital \$	Warrants \$	Contributed Surplus \$	Equity Component of Convertible Debenture \$	Deficit \$	Total \$
Balance, November 30, 2017	155,292,857	22,817,707	36,665	3,048,630	43,978	(16,297,288)	9,649,692
Issued during the period:							
For cash pursuant to private placement of flow-through shares	800,000	40,000	-	-	-	-	40,000
Transfer to flow-through premium liability	-	(8,000)	-	-	-	-	(8,000)
Share-based payments	-	-	-	266,362	-	-	266,362
Comprehensive loss for the period	-	-	-	-	-	(494,657)	(494,657)
Balance, February 28, 2018	156,092,857	22,849,707	36,665	3,314,992	43,978	(16,791,945)	9,453,397
Issued during the period:							
For cash pursuant to Rights Offering	15,609,285	624,371	-	-	-	-	624,371
For cash pursuant to private placement of units	4,887,536	195,502	48,875	-	-	-	244,377
For cash pursuant to private placement of flow-through shares and units	3,000,000	150,000	30,000	-	-	-	180,000
Transfer to flow-through premium liability	-	(30,000)	-	-	-	-	(30,000)
Less: Issue costs – compensation warrants	-	(97,048)	97,048	-	-	-	-
Less: Issue costs – cash	-	(56,343)	-	-	-	-	(56,343)
For cash pursuant to the exercise of warrants	1,000	70	-	-	-	-	70
Share-based payments	-	-	-	5,265	-	-	5,265
Transfer on expiration of conversion feature	-	-	-	43,978	(43,978)	-	-
Issuance of convertible debentures	-	-	-	-	160,635	-	160,635
Transfer on expiry of warrants	-	-	(36,665)	36,665	-	-	-
Comprehensive loss for the period	-	-	-	-	-	(637,339)	(637,339)
Balance, November 30, 2018	179,590,678	23,636,259	175,923	3,400,900	160,635	(17,429,284)	9,944,433
Issued during the period:							
For cash pursuant to private placement of units	2,000,000	90,000	10,000	-	-	-	100,000
Transfer to flow-through premium liability	-	(10,000)	-	-	-	-	(10,000)
Less: Issue costs - cash	-	(714)	-	-	-	-	(714)
Pursuant to mineral property agreements	500,000	25,000	-	-	-	-	25,000
Pursuant to debt settlements	50,000	2,750	-	-	-	-	2,750
Comprehensive loss for the period	-	-	-	-	-	(150,501)	(150,501)
<b>Balance, February 28, 2019</b>	<b>182,140,678</b>	<b>23,743,295</b>	<b>185,923</b>	<b>3,400,900</b>	<b>160,635</b>	<b>(17,579,785)</b>	<b>9,910,968</b>

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 three months ended February 28, 2019  
(Unaudited - Expressed in Canadian dollars)

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### **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". The Company is in the business of mineral exploration involving acquiring, exploring and evaluating mineral resource properties. At February 28, 2019, 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 3<sup>rd</sup> 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 February 29, 2019, the Company had not yet achieved profitable operations, had a working capital deficiency of \$2,097,741, had an accumulated deficit of \$17,579,785 since inception and expects to incur further losses in the development of its business. Management is in the process of obtaining additional financial resources and believes sufficient resources will be available as required. 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.

### **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, 2018 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.

### **4. Adoption of New Accounting Standards and Accounting Standards Issued But Not Yet Effective**

#### **IFRS 9, Financial Instruments**

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on December 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the



## Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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(Unaudited - Expressed in Canadian dollars)

income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/ liabilities</b>	<b>Original Classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash and cash equivalents	Loans and receivables	Financial asset at amortized cost
Receivables	Loans and receivables	Financial asset at amortized cost
Trade payables	Non-derivative financial liabilities	Financial liability at amortized cost
Due to related parties	Non-derivative financial liabilities	Financial liability at amortized cost
Demand loans	Non-derivative financial liabilities	Financial liability at amortized cost
Convertible debenture	Non-derivative financial liabilities	Financial liability at amortized cost

The following new standards have been issued by the IASB but not yet applied:

IFRS 16, Leases, was issued in January 2016 and eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset. The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. The Company will adopt IFRS 16 on December 1, 2019. The adoption of IFRS 16 is expected to increase assets under lease and lease liabilities on the statement of financial position.

## 5. Receivables

	<b>February 28, 2019</b>	November 30, 2018
	<b>\$</b>	<b>\$</b>
GST receivable	<b>48,631</b>	37,092
Government assistance <sup>(1)</sup>	<b>95,000</b>	-
Total receivables	<b>143,631</b>	37,092

<sup>(1)</sup> During the three months ended February 28, 2019, the Company applied for the non-repayable Junior Exploration Assistance Program offered by the Province of Newfoundland and Labrador for eligible exploration expenses incurred during the period exploration work was performed in 2018.

## 6. 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:

### **Port Hope Simpson REE District, Labrador**

The Company acquired the Port Hope Simpson REE District primarily by staking the claims. In addition, the Company acquired the B and A Claims and the Quinlan Property.

#### **B and A Claims**

On December 10, 2009, the Company entered into a binding letter of intent (the "LOI") with B and A Minerals Inc. ("B and 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 and A ("Port Hope Simpson, B and A Claims").

## Search Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements For the three months ended February 28, 2019 (Unaudited - Expressed in Canadian dollars)

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in Port Hope Simpson, B and A Claims, the Company paid B and 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 and A, of which the Company can purchase 2% at any time for \$2,000,000.

#### *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 has 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.

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, deductible against the NSR. During the year ended November 30, 2017, the Company paid the second \$10,000 annual cash payment. 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.

#### *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.

#### *Impairment of Mineral Properties*

As at February 28, 2019, the Company determined that there were no impairment indicators for the claims located in the Port Hope Simpson REE 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 agreement also sets out hiring and business opportunities for NunatuKavut members and communities as well as certain financial considerations.

## 7. Payables

	February 28, 2019 \$	November 30, 2018 \$
Trade payables	623,876	618,008
Interest payable	34,932	3,493
Due to related parties (Note 11)	672,181	613,083
<b>Total payables</b>	<b>1,330,989</b>	<b>1,234,584</b>
<b>Total payables – current portion</b>	<b>1,261,989</b>	<b>1,159,584</b>
<b>Total payables – non-current portion</b>	<b>69,000</b>	<b>75,000</b>

## Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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(Unaudited - Expressed in Canadian dollars)

### 8. Convertible Debentures

	Liability Component – December 2016 \$	Liability Component - InCoR \$	Equity Components \$
Balance, November 30, 2017	120,102	427,698	43,978
Amortization of transaction costs	-	39,679	-
Accretion	648	32,623	-
Repayment	(120,750)	-	-
Transfer to contributed surplus on expiration of conversion feature	-	-	(43,978)
Refinancing of loans (Note 9)	-	350,000	-
Refinancing debentures	-	(77,273)	160,635
Balance, November 30, 2018	-	772,727	160,635
Accretion	-	18,633	-
Balance, February 28, 2019	-	791,360	160,635

#### *InCoR Convertible Debentures*

On September 7, 2017, the Company entered into an agreement with InCoR Holdings Plc, (“InCoR”) pursuant to which InCoR agreed to provide funding of \$500,000 by way of secured convertible debentures (the “InCoR Convertible Debentures”). The debentures had a maturity date of one year from the date of issuance and bear interest at a rate of 15% per annum, calculated and paid semi-annually in cash or, at InCoR’s option, payable in Units. Any interest which is not paid when due shall bear interest at the same rate. The debentures were convertible into units of the Company at a conversion price of \$0.06 per unit at any time prior to the maturity dates. Each unit would be comprised of one common share of the Company and one common share purchase warrant with each warrant entitling the holder thereof to acquire one additional share at an exercise price of \$0.07 per share for five years from the date of issuance of the debentures. The debentures were secured by all of the Company’s assets.

On September 28, 2017 the Company received the first \$150,000 from InCoR (the “First Debenture”) and on October 27, 2017, the Company received the final tranche of \$350,000 (the “Second Debenture”), for aggregate proceeds received from the two tranches was \$500,000.

If InCoR did not elect to convert the entire amount of principal and accrued interest into units at the end of the initial twelve month term, the Company had the right to extend the maturity dates by one period of six months by paying a forbearance fee of \$50,000 in cash or units at the election of InCoR within three business days of the end of the initial twelve month terms. If the Company had paid the forbearance fee in connection with the First Debenture, the forbearance fee would not be required for the Second Debenture.

In connection with the InCoR Convertible Debentures, the Company incurred legal and filing fees of \$44,500. These transaction costs were amortized over the term of the First and Second Debentures.

Subsequent to the completion of InCoR Convertible Debentures, InCoR appointed two members to the Board of Directors of the Company.

On September 28, 2018, the First Debentures matured and were not converted. InCoR agreed to forbear taking any action under the First Debentures or the related security agreements up to October 27, 2018. On October 27, 2018, the Second Debentures matured and were not converted. InCoR agreed to forbear taking any action under the First and Second Debentures or the related security agreements up to November 30, 2018. As consideration for the forbearances, the Company agreed to pay InCoR forbearance fees totaling \$50,000, which was payable at the end of the forbearance period.

On November 20, 2018, the Company paid InCoR the aggregate forbearance fees of \$50,000 and interest to date of \$45,205.

On November 30, 2018, the Company refinanced the \$500,000 First and Second Debentures and \$350,000 of Loans (Note 9) by issuing a \$850,000 secured convertible debenture to InCoR (the “Third Debenture”). The Third Debenture matures on November 30, 2019 and bears interest at 15% per annum, calculated and paid semi-annually in cash or in common shares at InCoR’s option. The Third Debenture is convertible into units of the Company at a conversion price of \$0.05 per unit. Each unit will be comprised of one common share and one common share purchase warrant with each warrant entitling the holder to acquire one additional common share at an exercise price of \$0.06 per common share for five years from the date of issuance of the debenture.

## **Search Minerals Inc.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended February 28, 2019

(Unaudited - Expressed in Canadian dollars)

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The Company treated the November 30, 2018 refinancing as a debt extinguishment, resulting in a loss of \$83,362 recorded to the statement of loss. The Company determined the fair value of the liability component of the Third Debenture to be \$772,727, based on the net present value of future cash flows. The Company determined the fair value of the equity component of the Third Debenture to be \$160,635 using the Black-Scholes pricing model with the following assumptions: share price - \$0.035; exercise price - \$0.05; risk-free interest rate - 1.30%; expected life - 1.0 years; expected volatility - 97%; and expected dividends - nil.

During the three months ended February 28, 2019, the Company recorded interest expense of \$31,438 (2018 - \$21,512) and accretion expense of \$18,633 (2018 - \$9,570) on the debentures.

## **9. Loans**

In March, April and June 2018, the Company received an aggregate of \$200,000 in non-interest bearing, due on demand loans secured against all assets of the Company. On July 11, 2018, the loans were used as subscriptions for an equity financing.

In October and November 2018, the Company received an aggregate of \$350,000 in non-interest bearing, due on demand loans secured against all assets of the Company. On November 20, 2018, the loans were refinanced as part of a secured convertible debenture (Note 8).

In January and February 2019, the Company received an aggregate of \$250,000 in non-interest bearing, due on demand loans secured against all assets of the Company.

The loans were provided by a company controlled by InCoR Holdings Plc. InCoR is a related party as they have two members on the Board of Directors of the Company.

## **10. Share Capital**

### **a. Common shares authorized**

Unlimited number of common shares

182,140,678 outstanding at February 28, 2019 (November 30, 2018: 179,590,678).

### **b. Financings**

On January 29, 2019, the Company completed a flow-through private placement of 2,000,000 flow-through units at a price of \$0.05 per flow-through unit for gross proceeds of \$100,000. Each unit is comprised of one flow-through 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 \$0.06 per common share up to January 30, 2021. The fair value of the flow-through premium was determined to be \$10,000 with the remaining \$90,000 being allocated to the units. A value of \$10,000 has been attributed to the warrants using the residual method. As at February 28, 2019, the Company had incurred eligible Canadian Exploration Expenditures of \$100,000. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to \$10,000.

### **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.

**Search Minerals Inc.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Unaudited - Expressed in Canadian dollars)

Changes in share purchase options during the three months ended February 28, 2019 and the year ended November 30, 2018 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2017	8,975,000	\$0.10	2.14
Granted	5,150,000	\$0.08	
Expired	(1,525,000)	\$0.10	
Forfeited	(100,000)	\$0.10	
Outstanding, November 30, 2018	12,500,000	\$0.09	2.00
Forfeited	(1,775,000)	\$0.10	
Outstanding and exercisable, February 28, 2019	10,725,000	\$0.09	1.82

During the three months ended February 28, 2019, the Company recorded share-based payment expense of \$nil (2018: \$266,362). The weighted average fair value of share purchase options granted during the three months ended February 28, 2018 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018
Stock price	\$0.08
Exercise price	\$0.08
Risk-free interest rate	0.73%
Expected life	3.5 years
Expected volatility	100%
Expected dividends	Nil

At February 28, 2019, 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
<sup>(1)</sup> 500,000	\$0.10	April 18, 2019
5,075,000	\$0.10	June 30, 2020
5,150,000	\$0.08	August 14, 2021
<u>10,725,000</u>		

<sup>(1)</sup> Subsequent to February 28, 2019, these share purchase options expired unexercised.

**d. Warrants**

Changes in share purchase warrants during the three months ended February 28, 2019 and the year ended November 30, 2018 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2017	2,566,583	\$0.18	0.61
Issued	26,637,809	\$0.07	
Exercised	(1,000)	\$0.07	
Expired	(2,566,583)	\$0.18	
Balance, November 30, 2018	26,636,809	\$0.07	1.96
Issued	1,550,000	\$0.06	
Balance, February 28, 2019	28,186,809	\$0.07	1.72

**Search Minerals Inc.**Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended February 28, 2019  
(Unaudited - Expressed in Canadian dollars)

At February 28, 2019, 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
15,608,285	\$0.07	July 5, 2020
7,887,536	\$0.07	July 12, 2020
3,140,988	\$0.07	July 5, 2023
1,550,000	\$0.06	January 30, 2021
<u>28,186,809</u>		

**e. Basic and diluted loss per share**

During the three months ended February 28, 2019, potentially dilutive common shares totaling 74,686,809 (2018: 36,608,249) 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, share purchase warrants and the conversion of convertible debentures.

**11. Related Party Transactions**

During the three months ended February 28, 2019 and 2018, 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:

	2019	2018
	\$	\$
Administration and management fees	45,000	100,000
Non-executive directors fees	13,500	16,500
Mineral property expenditures		
Geological consulting, salaries, wages and benefits	32,500	32,500
Metallurgical consulting	22,500	47,500
Share-based compensation	-	212,147
	<u>113,500</u>	<u>408,647</u>

At February 28, 2019, due to related parties of \$672,181 (November 30, 2018: \$613,083) 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 and non-interest bearing. Amounts are due on demand or due contingent on future events. 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 months ended February 28, 2019 and 2018 is as follows:

	2019	2018
	\$	\$
Short-term benefits	113,500	196,500
Share-based compensation	-	212,147
	<u>113,500</u>	<u>408,647</u>

The InCoR loans disclosed in Notes 8 and 9 are related party transactions as InCoR appointed two directors of the Company. Other InCoR transactions are disclosed in Note 14.

**Search Minerals Inc.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Unaudited - Expressed in Canadian dollars)

**12. 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 three months ended February 28, 2019 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$784,007 included in accounts payable and accrued liabilities at February 28, 2019, less expenditures included in accounts payable at November 30, 2018 of \$722,261 (net exclusion of \$61,746);
- b) the issuance by the Company of 500,000 units at the fair value of \$25,000 and 50,000 shares at the fair value of \$2,750 pursuant to debt settlements; and,
- c) government assistance of \$95,000 included in receivables at February 28, 2019.

During the three months ended February 28, 2018 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$500,232 included in accounts payable and accrued liabilities at February 28, 2018, less expenditures included in accounts payable at November 30, 2017 of \$516,665 (net inclusion of \$16,433); and,
- b) government assistance of \$68,722 included in receivables at February 28, 2018.

**13. Commitment***Building Lease*

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 is \$7,000 per month with the lease expiring on December 31, 2022. At the end of the lease term, the Company has the option to extend the lease by five years or to purchase the property at the appraised value.

**14. Subsequent Events**

A subsequent event is disclosed in Note 10(c).

*InCoR loan*

Subsequent to February 28, 2019, the Company received a loan of \$50,000 from InCoR Holdings Plc. The loan bears no interest and is repayable on demand.

**Search Minerals Inc.**  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES**  
**For the three months ended February 28, 2019**  
(Unaudited - Expressed in Canadian Dollars)

	<b>Port Hope Simpson REE District, Labrador \$</b>	<b>Red Wine, Labrador \$</b>	<b>Total \$</b>
Balance November 30, 2017	10,602,926	3,600	10,606,526
Acquisition costs			
Cash	10,000	-	10,000
Staking	6,150	-	6,150
	16,150	-	16,150
Deferred exploration costs			
Assays	201,884	-	201,884
Camp and rent	122,769	-	122,769
Drilling	389,560	-	389,560
Geological consulting, salaries, wages and benefits (Note 11)	246,051	-	246,051
Geotechnical reports and surveys	4,200	-	4,200
Government contributions	(83,722)	-	(83,722)
Metallurgical consulting (Note 11)	115,000	-	115,000
Other	166,522	-	166,522
	1,162,264	-	1,162,264
Balance, November 30, 2018	11,781,340	3,600	11,784,940
Acquisition costs			
Cash	10,000	-	10,000
	10,000	-	10,000
Deferred exploration costs			
Assays	190,023	-	190,023
Camp and rent	26,661	-	26,661
Drilling	342	-	342
Engineering and metallurgy	33,000	-	33,000
Geological consulting, salaries, wages and benefits (Note 11)	35,993	-	35,993
Geotechnical reports and surveys	700	-	700
Government contributions	(145,000)	-	(145,000)
Metallurgical consulting (Note 11)	22,500	-	22,500
Other	57,362	-	57,362
	221,581	-	221,581
<b>Balance, February 28, 2019</b>	<b>12,012,921</b>	<b>3,600</b>	<b>12,016,521</b>