

SEARCH MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016 and 2015

(Unaudited - Expressed in Canadian dollars)

Search Minerals Inc.

Condensed Interim Consolidated Financial Statements

Nine months ended August 31, 2016 and 2015

(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 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, 2016 \$	November 30, 2015 \$
ASSETS			
Current			
Cash		131,348	406,852
Receivables	5, 10	79,371	441,071
Prepaid expenses and other assets		82,238	82,426
Marketable securities	6	40,000	105,000
		332,957	1,035,349
Equipment		27,002	36,138
Reclamation deposits		50,000	50,000
Exploration and evaluation expenditures (Schedule 1)	7	9,408,984	9,091,688
		9,818,943	10,213,175
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Current			
Trade payables	8	204,619	200,744
Due to related parties	8, 11	427,999	379,182
Due to former directors	8, 11	371,430	371,430
		1,004,048	951,356
Equity attributable to shareholders			
Share capital	9	21,386,041	21,352,684
Warrants		463,577	597,174
Contributed surplus		2,488,399	2,354,802
Accumulated other comprehensive income (loss) (%AOCLO+)		15,000	(45,000)
Deficit		(15,538,122)	(14,997,841)
		8,814,895	9,261,819
		9,818,943	10,213,175

Nature of Operations (Note 1)
Going Concern (Note 2)
Contingent liabilities (Note 13)
Commitments (Note 14)
Subsequent events (Notes 5 and 15)

Approved by the Board of Directors on October 25, 2016

"Jim Clucas"

Jim Clucas

Director

"Jim Patterson"

Jim Patterson

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 six months ended May 31, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Notes	For the three months ended		For the nine months ended	
		2016	August 31,	2016	August 31,
		\$	2015	\$	2015
		\$	\$	\$	\$
GENERAL AND ADMINISTRATIVE EXPENSES					
Accounting and audit		8,713	11,308	32,777	40,665
Administration and management fees	11	64,748	82,715	212,673	195,718
Amortization		3,046	4,762	9,136	14,285
Consulting fees	11	38,700	24,129	116,373	69,529
Legal fees		14,810	17,910	30,106	42,033
Non-executive directors fees	11	13,500	13,500	40,500	40,500
Office and miscellaneous		15,465	13,502	49,741	62,504
Regulatory and transfer agent fees		3,699	1,453	22,576	12,086
Rent		5,657	5,400	16,819	16,200
Shareholder communications		7,352	3,335	20,245	5,055
Share-based compensation - stock options	9(c)	-	245,174	-	245,174
Travel and accommodation		9,152	1,839	33,161	14,249
Loss for the period before other items		(184,842)	(425,027)	(584,107)	(757,998)
Other income (expense) items					
Interest income		-	168	3	2,169
Gain on debt settlement	8	-	-	5,200	444,102
Gain on sale of marketable securities	6	20,808	-	38,623	-
Proceeds on sale of technology		-	-	-	100,000
Income (loss) for the period		(164,034)	(424,859)	(540,281)	(211,727)
Other comprehensive loss for the period					
Unrealized (loss) gain on marketable securities	6	(12,037)	-	98,623	-
Transfer realized gain on sale of marketable securities		(20,808)	-	(38,623)	-
Comprehensive income (loss) for the period		(196,879)	(424,859)	(480,281)	(211,727)
Basic and diluted loss per share	9(d)	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding		132,491,188	119,217,450	132,449,946	116,854,470

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, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	2016 \$	2015 \$
Cash (used in) provided by		
OPERATING ACTIVITIES		
Loss for the period	(540,281)	(211,727)
Items not affecting cash:		
Amortization	9,136	14,285
Share-based compensation . stock options	-	245,174
Gain on debt settlement	(5,200)	(444,102)
Gain on sale of marketable securities	(38,623)	-
	<u>(574,968)</u>	<u>(396,370)</u>
Changes in non-cash working capital items:		
Taxes recoverable	6,455	64,987
Receivables	400,000	-
Prepaid expenses and other assets	188	31,453
Accounts payable and accrued liabilities	55,050	(109,646)
	<u>(113,275)</u>	<u>(409,576)</u>
INVESTING ACTIVITIES		
Mineral property costs, net	(613,796)	(632,634)
Staking deposits, net of recoveries	-	3,290
Proceeds from the sale of marketable securities	163,623	-
	<u>(450,173)</u>	<u>(629,344)</u>
FINANCING ACTIVITIES		
Issuance of common shares	-	669,200
Share issuance costs	-	(4,263)
Government contributions	287,944	136,895
	<u>287,944</u>	<u>801,832</u>
Decrease in cash during the period	(275,504)	(237,088)
Cash, beginning of the period	406,852	594,121
Cash, end of the period	<u>131,348</u>	<u>357,033</u>
Cash paid for interest	-	-
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 nine months ended August 31, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Number of Shares #	Share Capital \$	Warrants \$	Contributed Surplus \$	AOCL \$	Deficit \$	Total \$
Balance, November 30, 2014	115,620,711	20,479,239	583,157	1,982,628	-	(15,298,809)	7,746,215
For cash pursuant to private placement of units	11,153,334	653,183	16,017	-	-	-	669,200
Less: Issue costs . cash	-	(4,263)	-	-	-	-	(4,263)
Pursuant to mineral property agreements	50,000	2,250	-	-	-	-	2,250
Transfer on expiry of warrants	-	-	(127,000)	127,000	-	-	-
Share-based payments	-	-	-	245,174	-	-	245,174
Comprehensive loss for the period	-	-	-	-	-	(211,727)	(211,727)
Balance, August 31, 2015	126,824,045	21,130,409	472,174	2,354,802	-	(15,510,536)	8,446,849
For cash pursuant to private placement of units	5,000,000	225,000	125,000	-	-	-	350,000
Less: Issue costs . cash	-	(2,725)	-	-	-	-	(2,725)
Comprehensive income for the period	-	-	-	-	(45,000)	512,695	467,695
Balance, November 30, 2015	131,824,045	21,352,684	597,174	2,354,802	(45,000)	(14,997,841)	9,261,819
Pursuant to debt settlements	667,143	33,357	-	-	-	-	33,357
Transfer on expiry of warrants	-	-	(133,597)	133,597	-	-	-
Comprehensive loss for the period	-	-	-	-	60,000	(540,281)	(480,281)
Balance, August 31, 2016	132,491,188	21,386,041	463,577	2,488,399	15,000	(15,538,122)	8,814,895

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, 2016
(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". The Company is in the business of mineral exploration involving acquiring, exploring and evaluating mineral resource properties. At August 31, 2016, the Company was in the exploration and evaluation stage and had properties located in Canada. The Company's corporate head office is located at 211, 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, 2016, the Company had not yet achieved profitable operations, had a working capital deficiency of \$671,091, had an accumulated deficit of \$15,538,122 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. Subsequent to August 31, 2016, the Company completed the first tranche of a non-brokered private placement of 5,200,000 units at a price of \$0.07 per unit for gross proceeds of \$364,000 (Note 15).

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. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended November 30, 2015 which have been prepared in accordance with IFRS as issued by the IASB.

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, 2015 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. Accounting Standards Issued But Not Yet Effective

The following new standard has been issued by the IASB but not yet applied:

IFRS 9, Financial Instruments, was issued in July 2014 and replaces IAS 39 Financial Instruments:

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian dollars)

Recognition and Measurement. IFRS 9 was developed in phases by the IASB. As a result there are a number of transition options and requirements in relation to earlier versions of IFRS 9 prior to the mandatory effective date of IFRS 9 in its entirety. IFRS 9 is mandatory for annual periods beginning on or after January 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 for use of fair value through other comprehensive income which results in changes in fair value not being recycled to the income statement. The Company has not adopted IFRS 9 and has not completed its assessment of the impact of this standard.

5. Receivables

	August 31, 2016 \$	November 30, 2015 \$
GST receivable	34,616	41,071
Government assistance receivable ⁽¹⁾	44,755	-
Sale of SALT proceeds receivable (Note 10)	-	400,000
Total receivables	79,371	441,071

⁽¹⁾ The Government of Newfoundland, the Research Development Corporation of Newfoundland and Labrador and the Atlantic Canada Opportunity Agency have certain programs available to assist junior resource companies. Subsequent to August 31, 2016, the Company received \$44,755 of government assistance for pilot plant expenditures incurred prior to August 31, 2016.

6. Marketable Securities

The Company received 1,500,000 common shares of Quest Rare Minerals Ltd. (Quest) pursuant to the sale of a mineral property. The shares have been classified as available-for-sale financial instruments and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive loss.

During the nine months ended August 31, 2016, the Company sold 1,250,000 common shares of Quest for gross proceeds of \$163,623 and accordingly, the Company recorded a gain on sale of marketable securities of \$38,623.

At August 31, 2016, the Company had 250,000 common shares of Quest with a fair value of \$40,000 (November 30, 2015: 1,500,000 common shares of Quest with a fair value of \$105,000). During the nine months ended August 31, 2016, the Company recorded the change in fair value of marketable securities of \$98,623 in other comprehensive income.

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:

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).

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For the nine months ended August 31, 2016

(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 nine months ended August 31, 2016, the Company paid the \$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.

8. Payables

	August 31, 2016 \$	November 30, 2015 \$
Trade payables	204,619	200,744
Due to current related parties (Note 11)	427,999	379,182
Due to former related parties (Notes 11 and 13)	371,430	371,430
Total payables	1,004,048	951,356

During the nine months ended August 31, 2016, the Company settled \$58,023 of payables by paying cash of \$19,466 and by issuing 667,143 common shares at the fair value of \$0.05 per share resulting in a gain on settlement of accounts payable and accrued liabilities of \$5,200. The number of shares issued to settle the debt was determined using a share price of \$0.06 per share.

9. Share Capital

a. Common shares authorized

Unlimited number of common shares

132,491,188 outstanding at August 31, 2016 (November 30, 2015: 131,824,045)

b. 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

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian dollars)

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, 2016 and the year ended November 30, 2015 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2014	5,378,500	\$0.33	2.04
Granted	6,850,000	\$0.10	
Expired	(1,023,500)	\$0.43	
Forfeited	(210,000)	\$0.14	
Outstanding, November 30, 2015	10,995,000	\$0.18	3.38
Expired	(1,785,000)	\$0.54	
Outstanding and exercisable, August 31, 2016	9,210,000	\$0.11	3.22

At August 31, 2016, 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
145,000	\$0.26	January 19, 2017
690,000	\$0.20	October 17, 2017
1,425,000	\$0.10	April 26, 2018
100,000	\$0.07	October 29, 2018
6,850,000	\$0.10	June 30, 2020
<u>9,210,000</u>		

c. Warrants

Changes in share purchase warrants during the nine months ended August 31, 2016 and the year ended November 30, 2015 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2014	60,345,232	\$0.11	1.11
Issued	16,153,328	\$0.10	
Expired	(25,400,000)	\$0.11	
Balance, November 30, 2015	51,098,560	\$0.11	1.03
Expired	(4,453,232)	\$0.10	
Balance, August 31, 2016	46,645,328	\$0.11	0.60

At August 31, 2016, 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)4,000,000	\$0.20	January 15, 2017
(¹)532,000	\$0.20	January 15, 2017
(¹)8,300,000	\$0.10	January 15, 2017
(¹)5,960,000	\$0.10	January 15, 2017
(¹)11,700,000	\$0.10	January 15, 2017
(¹)7,950,000	\$0.10	August 17, 2017
3,203,328	\$0.10	August 17, 2017
5,000,000	\$0.10	October 19, 2017
<u>46,645,328</u>		

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Notes to the Condensed Interim Consolidated Financial Statements For the nine months ended August 31, 2016 (Unaudited - Expressed in Canadian dollars)

(1) On August 4, 2016, the expiry dates of certain warrants were extended. 4,000,000 warrants were extended from August 8, 2016 to January 15, 2017, 532,000 warrants were extended from August 22, 2016 to January 15, 2017, 8,300,000 warrants were extended from August 27, 2016 to January 15, 2017, 5,960,000 warrants were extended from September 8, 2016 to January 15, 2017, 11,700,000 warrants were extended from October 9, 2016 to January 15, 2017 and 7,950,000 were extended from July 28, 2017 to August 17, 2017. The amended costs resulting from these transactions have been offset against the additional value created for the warrants.

d. Basic and diluted loss per share

During the nine months ended August 31, 2016, potentially dilutive common shares totaling 55,855,328 (2015: 57,306,060) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive.

10. Technology Research

On November 13, 2013, the Company entered into a Purchase Agreement with InCoR Holdings Plc, a wholly-owned subsidiary, InCoR Technologies Limited (InCoR), whereby InCoR agreed to purchase the intellectual property rights to the starved acid leaching technology (SALT).

Pursuant to the Purchase Agreement, InCoR will purchase SALT for a total purchase price of \$2.2 million, comprised of the following:

- \$50,000 at closing (received);
- \$50,000 upon delivery of a positive economic scoping study (received);
- \$100,000 upon the earlier of the completion of a positive bankable feasibility study and 18 months from the date of the Purchase Agreement (received); and,
- \$2,000,000 repayable from 25 percent of the net cash flow from a commercial application of SALT.

On September 30, 2015, the Company and InCoR amended the Purchase Agreement whereby InCoR agreed to provide the Company with \$650,000 in order to fully satisfy and discharge InCoR from any further obligation under the Purchase Agreement. The payment schedule consisted of \$250,000 at closing (received), \$200,000 on December 31, 2015 (received) and \$200,000 on February 28, 2016 (received). With the final \$200,000 payment made in March 2016, InCoR has now satisfied all terms of the amended Purchase Agreement and InCoR now owns the intellectual property rights to SALT.

The Company no longer has any interest in the SALT technology.

The Company records the proceeds received from the sale of SALT as other income in the period received or when receipt has been received as a subsequent event.

11. Related Party Transactions

During the three and nine months ended August 31, 2016 and 2015, 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:

	Three months ended August 31,		Nine months ended August 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Administration and management fees	63,750	81,250	211,250	190,417
Consulting fees	22,500	22,500	67,500	67,500
Non-executive directors fees	13,500	13,500	40,500	40,500
Mineral property expenditures				
Geological consulting, salaries, wages and benefits	32,499	32,499	97,497	97,497
Rent	21,000	-	51,000	-
	153,249	149,749	467,747	395,914

At August 31, 2016, accounts payable and accrued liabilities included \$427,999 (November 30, 2015: \$379,182) of amounts owing to current 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

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Notes to the Condensed Interim Consolidated Financial Statements For the nine months ended August 31, 2016 (Unaudited - Expressed in Canadian dollars)

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.

At August 31, 2016, accounts payable and accrued liabilities included \$371,430 (November 30, 2015: \$371,430) due to former directors (Note 13). On July 24, 2015, the Company announced that it has been named as a defendant in a lawsuit commenced in the Ontario Superior Court of Justice by two former officers of the Company, Stephen Keith and Alexandre Penha, in relation to an alleged defamatory news release issued by the Company in 2014 and the payment of compensation and expenses. The Company believes that it has meritorious defences and set-offs to the claims and intends to vigorously defend the action. On March 1, 2016, the Company filed a counterclaim.

Key management includes the CEO, the VP of Exploration and the directors of the Company. The compensation paid or payable to key management for services during the nine months ended August 31, 2016 and 2015 is identical to the table above. The compensation paid or payable was for short-term benefits.

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 nine months ended August 31, 2016 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$219,039 included in accounts payable and accrued liabilities at August 31, 2016, less expenditures included in accounts payable at November 30, 2015 of \$203,197 (net exclusion of \$15,842);
- a) government assistance of \$44,755 included in receivables at August 31, 2016;
- b) the issuance by the Company of 407,143 shares at the fair value of \$20,357 pursuant to a mineral property agreement; and,
- c) the issuance by the Company of 260,000 shares at the fair value of \$13,000 pursuant to a debt settlement.

During the nine months ended August 31, 2015 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$331,079 included in accounts payable and accrued liabilities at August 31, 2015, less expenditures included in accounts payable at November 30, 2014 of \$350,781 (net inclusion of \$19,702); and,
- b) the issuance by the Company of 50,000 shares at the fair value of \$2,250 pursuant to mineral property agreements.

13. Contingent Liabilities

Lawsuit

On July 24, 2015, the Company announced that it has been named as a defendant in a lawsuit commenced in the Ontario Superior Court of Justice by two former officers of the Company, Stephen Keith and Alexandre Penha, in relation to an alleged defamatory news release issued by the Company in 2014 and the payment of compensation and expenses. The Company believes that it has meritorious defences and set-offs to the claims and intends to vigorously defend the action. On March 1, 2016, the Company filed a counterclaim.

14. Commitments

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 and to purchase the property at the appraised value. The lease is with a company controlled by a director of the Company.

15. Subsequent Events

Sale of marketable securities

The Company sold an aggregate of 250,000 common shares of Quest for gross proceeds of \$33,500.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2016

(Unaudited - Expressed in Canadian dollars)

Private placement

On October 11, 2016, the Company completed the first tranche of a non-brokered private placement of 5,200,000 units at a price of \$0.07 per unit for gross proceeds of \$364,000. 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 at \$0.14 per common share up to twelve months from the date of closing of the final tranche of the private placement.

Debt settlements

On October 20, 2016, the Company issued 50,000 common shares to NunatuKavut Community Council Inc. (~~NCC~~) in accordance with a Mining Exploration Activities Agreement dated August 27, 2012, as amended on November 13, 2014. In addition, the Company issued 357,143 units of the Company in settlement of payments owing to NCC in the amount of \$25,000. 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 at \$0.14 per common share up to October 20, 2017.

Search Minerals Inc.
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the nine months ended August 31, 2016
(Unaudited - Expressed in Canadian Dollars)

	Port Hope Simpson REE District, Labrador \$	Red Wine, Labrador \$	Total \$
Balance, November 30, 2015	9,091,688	-	9,091,688
Acquisition costs			
Cash	10,000	-	10,000
	10,000	-	10,000
Deferred exploration costs			
Assay	82,643	-	82,643
Camp and rent (Note 11)	59,443	-	59,443
Engineering and metallurgy	139,647	-	139,647
Geological consulting, salaries, wages and benefits (Note 11)	148,810	-	148,810
Geotechnical reports	114,934	-	114,934
Government contributions	(332,699)	-	(332,699)
Other	94,518	-	94,518
	307,296	-	307,296
Balance, August 31, 2016	9,408,984	-	9,408,984