

**SEARCH MINERALS INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars)

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**Search Minerals Inc.**

**Condensed Interim Consolidated Financial Statements**

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**Six months ended May 31, 2018 and 2017**

**(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	May 31, 2018 \$	November 30, 2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		45,187	293,508
Receivables	5	10,215	82,579
Prepaid expenses and other assets		7,341	33,960
		<u>62,743</u>	410,047
<b>Non-current assets</b>			
Equipment		14,888	15,598
Reclamation deposits		50,000	50,000
Staking deposits		450	450
Exploration and evaluation expenditures (Schedule 1)	6	10,812,975	10,606,526
		<u>10,941,056</u>	11,082,621
<b>LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS</b>			
<b>Current liabilities</b>			
Trade payables	7	451,269	466,098
Due to related parties	7, 11	473,815	321,316
Convertible debentures	8	588,710	547,800
Loans	9	100,000	-
		<u>1,613,794</u>	1,335,214
<b>Non-current liabilities</b>			
Due to related parties	7, 11	87,715	97,715
		<u>1,701,509</u>	1,432,929
<b>Equity attributable to shareholders</b>			
Share capital	10	22,849,707	22,817,707
Warrants		36,665	36,665
Contributed surplus		3,327,777	3,048,630
Equity component of convertible debentures	8	36,458	43,978
Deficit		<u>(17,011,060)</u>	(16,297,288)
		<u>9,239,547</u>	9,649,692
		<u>10,941,056</u>	11,082,621

**Nature of Operations** (Note 1)

**Going Concern** (Note 2)

**Commitment** (Note 13)

**Subsequent events** (Note 14)

Approved by the Board of Directors on July 25, 2018

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

\_\_\_\_\_  
*"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 and six months ended May 31, 2018 and 2017  
(Unaudited - Expressed in Canadian dollars)

	Notes	For the three months ended		For the six months ended	
		2018	May 31, 2017	2018	May 31, 2017
		\$	\$	\$	\$
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>					
Accounting and audit		10,483	9,193	25,787	22,093
Administration and management fees	11	47,042	65,691	147,242	174,441
Amortization		1,583	1,889	3,167	3,779
Consulting fees	11	-	37,311	-	76,011
Legal fees		57,793	18,171	81,897	27,513
Non-executive directors fees	11	13,500	18,000	30,000	34,500
Office and miscellaneous		11,664	22,279	24,520	42,946
Regulatory and transfer agent fees		12,291	5,091	29,446	18,171
Rent		4,530	5,700	9,060	11,400
Share-based compensation – stock options	10(c)	5,265	9,658	271,627	9,658
Shareholder communications		9,776	31,059	10,176	67,272
Travel and accommodation		3,011	18,994	4,466	38,600
<b>Loss for the period before other items</b>		<b>(176,938)</b>	<b>(243,036)</b>	<b>(637,388)</b>	<b>(526,384)</b>
<b>Other income (expense) items</b>					
Flow-through premium income	10(b)	-	-	8,000	-
Amortization of transaction costs	8	(11,125)	-	(22,250)	-
Accretion expense	8	(9,090)	(1,853)	(18,660)	(3,075)
Interest expense	8	(21,962)	(3,019)	(43,474)	(5,032)
<b>Loss and comprehensive loss for the period</b>		<b>(219,115)</b>	<b>(247,908)</b>	<b>(713,772)</b>	<b>(534,491)</b>
<b>Basic and diluted loss per share</b>	10(e)	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>156,092,857</b>	<b>147,300,434</b>	<b>156,048,901</b>	<b>146,767,237</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 six months ended May 31, 2018 and 2017  
(Unaudited - Expressed in Canadian dollars)

	2018 \$	2017 \$
<b>Cash (used in) provided by</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(713,772)	(534,491)
Items not affecting cash:		
Amortization	3,167	3,779
Share-based compensation – stock options	271,627	9,658
Flow-through premium income	(8,000)	-
Amortization of transaction costs	22,250	3,075
Accretion expense	18,660	-
	<u>(406,068)</u>	<u>(517,979)</u>
Changes in non-cash working capital items:		
Taxes recoverable	72,364	30,612
Prepaid expenses and other assets	26,619	56,593
Accounts payable and accrued liabilities	171,814	7,616
	<u>(135,271)</u>	<u>(423,158)</u>
<b>INVESTING ACTIVITIES</b>		
Mineral property costs, net	(334,315)	(1,286,051)
Purchase of equipment	(2,457)	-
	<u>(336,772)</u>	<u>(1,286,051)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares	40,000	451,995
Share issuance costs	-	(5,751)
Issuance of convertible debentures	-	120,750
Issuance of loans	100,000	-
Government assistance	83,722	985,286
	<u>223,722</u>	<u>1,552,280</u>
Decrease in cash during the period	(248,321)	(156,929)
Cash, beginning of the period	293,508	391,412
Cash, end of the period	<u>45,187</u>	<u>234,483</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 six months ended May 31, 2018 and 2017  
(Unaudited - Expressed in Canadian dollars)

	Number of Shares #	Share Capital \$	Warrants \$	Contributed Surplus \$	Equity Component of Convertible Debenture \$	Deficit \$	Total \$
Balance, November 30, 2016	146,222,190	22,246,691	548,098	2,488,399	-	(15,411,731)	9,871,457
Issued during the period:							
For cash pursuant to private placement of units	5,022,166	416,995	35,000	-	-	-	451,995
Less: Issue costs - cash	-	(5,751)	-	-	-	-	(5,751)
Issuance of convertible debenture	-	-	-	-	7,520	-	7,520
Transfer on expiry of warrants	-	-	(322,560)	322,560	-	-	-
Share-based payments	-	-	-	9,658	-	-	9,658
Comprehensive loss for the period	-	-	-	-	-	(534,491)	(534,491)
<b>Balance, May 31, 2017</b>	<b>151,244,356</b>	<b>22,657,935</b>	<b>260,538</b>	<b>2,820,617</b>	<b>7,520</b>	<b>(15,946,222)</b>	<b>9,800,388</b>
For cash pursuant to private placement of units	111,000	8,325	1,665	-	-	-	9,990
Less: Issue costs – cash	-	(8,725)	-	-	-	-	(8,725)
For cash pursuant to private placement of flow-through shares	2,900,000	145,000	-	-	-	-	145,000
Transfer to flow-through premium liability	-	(29,000)	-	-	-	-	(29,000)
Less: Issue costs – cash	-	(2,516)	-	-	-	-	(2,516)
Pursuant to mineral property agreements	50,000	2,250	-	-	-	-	2,250
Pursuant to debt settlements (Note 10)	987,501	44,438	-	-	-	-	44,438
Issuance of convertible debentures	-	-	-	-	36,458	-	36,458
Transfer on expiry of warrants	-	-	(225,538)	225,538	-	-	-
Share-based payments	-	-	-	2,475	-	-	2,475
Comprehensive loss for the period	-	-	-	-	-	(351,066)	(351,066)
<b>Balance, November 30, 2017</b>	<b>155,292,857</b>	<b>22,817,707</b>	<b>36,665</b>	<b>3,048,630</b>	<b>43,978</b>	<b>(16,297,288)</b>	<b>9,649,692</b>
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	-	-	-	271,627	-	-	271,627
Transfer on expiration of conversion feature	-	-	-	7,520	(7,520)	-	-
Comprehensive loss for the period	-	-	-	-	-	(713,772)	(738,772)
<b>Balance, May 31, 2018</b>	<b>156,092,857</b>	<b>22,849,707</b>	<b>36,665</b>	<b>3,327,777</b>	<b>36,458</b>	<b>(17,011,060)</b>	<b>9,239,547</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 six months ended May 31, 2018

(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 May 31, 2018, 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 May 31, 2018, the Company had not yet achieved profitable operations, had working capital deficiency of \$1,551,051, had an accumulated deficit of \$17,011,060 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. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended November 30, 2017 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, 2017 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 standards have been issued by the IASB but not yet applied:

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

## Search Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2018

(Unaudited - Expressed in Canadian dollars)

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.

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 has not adopted IFRS 16 and has not completed its assessment of the impact of this standard.

#### 5. Receivables

	May 31, 2018 \$	November 30, 2017 \$
GST receivable	10,215	82,579
Total receivables	10,215	82,579

#### 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").

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.

## Search Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2018

(Unaudited - Expressed in Canadian dollars)

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 six months ended May 31, 2018, the Company paid the third \$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.

#### **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

	May 31, 2018 \$	November 30, 2017 \$
Trade payables	404,072	455,352
Interest payable	47,197	10,746
Due to related parties (Note 11)	561,530	419,031
<b>Total payables</b>	<b>1,012,799</b>	<b>885,129</b>
Total payables – current portion	925,084	787,414
Total payables – non-current portion	87,715	97,715

## 8. Convertible Debentures

	Liability Component \$	Equity Component \$
Balance, November 30, 2017	547,800	43,978
Amortization of transaction costs	22,250	-
Accretion	18,660	-
Transfer to contributed surplus on expiration of conversion feature	-	(7,520)
<b>Balance, May 31, 2018</b>	<b>588,710</b>	<b>36,458</b>

#### *InCoR Convertible Debenture*

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 a secured convertible debentures (the "InCoR Convertible Debentures"). The debentures have a maturity date of one year from the date of issuance (the "Maturity Date") 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 are convertible into units ("Units") of the Company at a conversion price of \$0.06 per Unit

## Search Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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at any time prior to the Maturity Date. Each Unit will 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 are 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 of \$500,000.

If InCoR does 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 may extend the Maturity Date by one period of six months by paying an extension fee of \$50,000 (the "Extension Fee") in cash or Units at the election of InCoR within three business days of the end of the initial twelve month term. If the Company has paid the Extension Fee in connection with the First Debenture, the Extension 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 are amortized over the term of the First and Second Debentures. During the six months ended May 31, 2018, the Company recorded interest expense of \$37,397, amortization of transaction costs of \$22,250, accretion expense of \$18,012.

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

#### *December 2016 Convertible Debenture*

On December 29, 2016, the Company issued an unsecured convertible debenture in the amount of \$120,750 (the "December 2016 Convertible Debenture"). The debenture bore interest at the rate of 10% per annum, calculated and paid quarterly in arrears, and was due on December 29, 2017. The debenture was convertible into units at a conversion price of \$0.07 per unit. Each unit would be comprised of one common share and one share purchase warrant. Each whole warrant would entitle the holder thereof to purchase an additional common share of the Company at \$0.14 per common share up to one year from the date of conversion of the debenture.

During the six months ended May 31, 2018, the lender of the December 2016 Convertible Debenture agreed to extend the maturity date to March 31, 2018. The lender agreed to a further extension to June 30, 2018. No penalties or fees were incurred in relation to the extensions and all other terms of the 2016 Convertible Debenture remained the same, except that the conversion feature expired on March 31, 2018. Subsequent to May 31, 2018, the December 2016 Convertible Debenture was repaid in cash.

During the six months ended May 31, 2018, the Company recorded interest expense of \$6,077 (2017 - \$5,032) and accretion expense of \$648 (2017 - \$3,075).

## 9. Loans

During the six months ended May 31, 2018, the Company received an aggregate of \$100,000 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.

Subsequent to May 31, 2018, the \$100,000 of loans were repaid with proceeds of the subsequent financings (Note 14).

## 10. Share Capital

### a. Common shares authorized

Unlimited number of common shares

156,092,857 outstanding at May 31, 2018 (November 30, 2017: 155,292,857).

### b. Financings

On December 11, 2017, the company completed the second and final tranche of a non-brokered private placement of 800,000 flow-through shares at a price of \$0.05 per share for gross proceeds of \$40,000. The fair value of the flow-through shares was determined to be \$32,000 with the remaining \$8,000 being allocated to flow-through premium liability. As at May 31, 2018, the Company had incurred eligible Canadian Exploration Expenditures of \$40,000. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to \$8,000.

**Search Minerals Inc.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2018

(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 six months ended May 31, 2018 and the year ended November 30, 2017 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2016	9,210,000	\$0.11	2.97
Granted	600,000	\$0.10	
Expired	(835,000)	\$0.21	
Outstanding, November 30, 2017	8,975,000	\$0.10	2.14
Granted	5,150,000	\$0.08	
Expired	(1,425,000)	\$0.10	
Forfeited	(100,000)	\$0.10	
Outstanding, May 31, 2018	12,600,000	\$0.09	2.48
Outstanding and exercisable, May 31, 2018	12,600,000	\$0.09	2.48

During the six months ended May 31, 2018, the Company recorded share-based payment expense of \$271,627 (2017: \$9,658). The weighted average fair value of share purchase options granted during the six months ended May 31, 2018 of \$0.05 per option (2017 - \$0.04) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017
Stock price	\$0.08	\$0.085
Exercise price	\$0.08	\$0.10
Risk-free interest rate	0.73%	1.00%
Expected life	3.5 years	2.0 years
Expected volatility	100%	100%
Expected dividends	Nil	Nil

At May 31, 2018, 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
100,000	\$0.07	October 29, 2018
500,000	\$0.10	April 18, 2019
6,850,000	\$0.10	June 30, 2020
5,150,000	\$0.08	August 14, 2021
<u>12,600,000</u>		

**Search Minerals Inc.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2018

(Unaudited - Expressed in Canadian dollars)

**d. Warrants**

Changes in share purchase warrants during the six months ended May 31, 2018 and the year ended November 30, 2017 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2016	59,278,971	\$0.12	0.46
Issued	2,566,583	\$0.18	
Expired	(59,278,971)	\$0.12	
Balance, November 30, 2017	2,566,583	\$0.18	0.61
Balance, May 31, 2018	2,566,583	\$0.18	0.11

At May 31, 2018, 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)2,566,583	\$0.18	July 10, 2018

(1) Subsequent to May 31, 2018, these share purchase warrants expired unexercised.

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

During the six months ended May 31, 2018, potentially dilutive common shares totaling 31,833,249 (2017: 40,963,054) 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 six months ended May 31, 2018 and 2017, 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 May 31,		Six months ended May 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Administration and management fees	45,000	63,750	145,000	172,500
Consulting fees	-	22,500	-	45,000
Non-executive directors fees	13,500	18,000	30,000	34,500
Mineral property expenditures				
Geological consulting, salaries, wages and benefits	32,500	32,500	65,000	64,999
Metallurgical consulting	22,500	-	70,000	-
Rent	21,000	21,000	42,000	42,000
Share-based compensation	-	-	212,147	-
	134,500	157,750	564,147	358,999

At May 31, 2018, due to related parties of \$561,530 (November 30, 2017: \$419,031) 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.

## Search Minerals Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2018

(Unaudited - Expressed in Canadian dollars)

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 six months ended May 31, 2018 and 2017 is as follows:

	Three months ended May 31,		Six months ended May 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Short-term benefits	113,500	136,750	310,000	316,999
Share-based compensation	-	-	212,147	-
	113,500	136,750	522,147	316,999

The rental commitment disclosed in Note 13 is a related party transaction as the lease is with a company controlled by the estate of a former director of the Company. The InCoR loan disclosed in Note 8 is a related party transaction as InCoR appointed two directors of the Company.

## 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 six months ended May 31, 2018 the following transactions were excluded from the statement of cash flows:

- deferred exploration expenditures of \$472,521 included in accounts payable and accrued liabilities at May 31, 2018, less expenditures included in accounts payable at November 30, 2017 of \$516,665 (net inclusion of \$44,144).

During the six months ended May 31, 2017 the following transactions were excluded from the statement of cash flows:

- deferred exploration expenditures of \$292,123 included in accounts payable and accrued liabilities at May 31, 2017, less expenditures included in accounts payable at November 30, 2016 of \$297,692 (net exclusion of \$5,569); and,
- government assistance of \$96,966 included in receivables at May 31, 2017, less assistance included in receivables at November 30, 2016 of \$234,387 (net exclusion of \$137,421).

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

## 14. Subsequent Events

### *Rights Offering of Units*

On July 5, 2018, the Company completed a Rights Offering of 15,609,285 units ("Units") at a price of \$0.04 per Unit for gross proceeds of \$624,372. 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 \$0.07 per common share up to July 5, 2020.

In connection with the Rights Offering, the Company entered into a standby guarantee agreement (the "Standby Guarantee") with InCoR. Under the Standby Guarantee, InCoR agreed to subscribe for all Units that were not otherwise purchased by the Company's shareholders, up to the amount of \$624,372. As compensation for providing the Standby Guarantee, the Company granted InCoR 3,140,988 share purchase warrants. The share purchase warrants are exercisable at a price of \$0.07 per common share up to July 5, 2023.

**Search Minerals Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2018

(Unaudited - Expressed in Canadian dollars)

*Private Placement of Units*

On July 11, 2018, the Company completed a private placement of 4,887,536 units at a price of \$0.05 per unit for gross proceeds of \$244,377. 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 \$0.07 per common share up to July 12, 2020.

*Flow-Through Private Placement of Units*

On July 11, 2018, the Company completed a flow-through private placement of 3,000,000 units at a price of \$0.06 per flow-through unit for gross proceeds of \$180,000. 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 \$0.07 per common share up to July 12, 2020.

*Repayment of Loans*

As at May 31, 2018, the Company had received \$100,000 of non-interest bearing, due on demand loans. Subsequent to May 31, 2018, the Company received an additional \$100,000 of loans. The loans were repaid with proceeds from the financings.

**Search Minerals Inc.**  
**CONDENSED INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES**  
**For the six months ended May 31, 2018**  
(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
	10,000	-	10,000
Deferred exploration costs			
Assays	21,543	-	21,543
Camp and rent (Note 11)	62,544	-	62,544
Geological consulting, salaries, wages and benefits (Note 11)	80,710	-	80,710
Geotechnical reports and surveys	4,200	-	4,200
Government contributions	(83,722)	-	(83,722)
Metallurgical consulting (Note 11)	70,000	-	70,000
Other	41,174	-	41,174
	196,449	-	196,449
<b>Balance, May 31, 2018</b>	<b>10,809,375</b>	<b>3,600</b>	<b>10,812,975</b>