



Management's Discussion and Analysis ("MD&A")  
for the Year ended November 30, 2017

The following information, prepared as of February 23, 2018, should be read in conjunction with the audited consolidated financial statements of Search Minerals Inc. (the "Company" or "Search") for the year ended November 30, 2017. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

**FORWARD-LOOKING STATEMENTS**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of drill results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note the following:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of February 23, 2018.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, possible variations in mineral resources, labour disputes, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.
- The preliminary economic assessment is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them to enable them to be categorized as mineral reserves and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have a demonstrated economic viability

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties."

## **GENERAL**

The Company was incorporated on June 7, 2006 under the *Business Corporations Act* of British Columbia and the Company is trading on the TSX Venture Exchange under the symbol "SMY.V."

The Company is focused on creating value through finding and developing "critical rare earth element ("CREE")" mineral assets in SE Labrador, Canada. CREEs (Nd, Pr, Tb, Dy, La) and strategic metals which have growing demand, constrained or restricted supply and are commonly used in innovative technologies.

Search is the discoverer of the Port Hope Simpson CREE District, a highly prospective CREE belt located in southeast Labrador, where the Company controls a belt 70 km long and up to 8 km wide. Search owns 100% of the advanced CREE resource called the Foxtrot Project ("Foxtrot"), and recently announced Foxtrot-like prospects called "Deep Fox" and "Fox Meadow". In addition, the Company has identified more than 20 other Foxtrot-like prospects in the District. The primary focus of Search is to continue to advance the Foxtrot resource, while evaluating other Foxtrot-like prospects. Several of the Foxtrot-like prospects require exploration drilling programs and may provide additional resources to a central processing facility that would be situated within the District.

Search also holds a number of other CREE mineral prospects in Labrador in its portfolio, including claims in the Red Wine Complex and in the Henley Harbour area.

## **OVERALL PERFORMANCE**

Search Minerals' focus is on exploration and development of the Port Hope Simpson Critical Rare Earth Element District in Southeastern Labrador, Canada. The Company seeks to raise funds through conventional raises, and to seek out government assistance or other non-dilutive and alternative financings to advance the Port Hope Simpson REE District.

The completion and success of the pilot plant was a key milestone for Search, as we have proven that our patented Search Direct Extraction Process can process the Foxtrot material and provide a high purity mixed rare earth oxide product. The production of concentrate samples remains crucial for approaching the separation companies and refineries for further processing analysis.

On December 29, 2016, the Company announced that it had issued an unsecured convertible debenture in the amount of \$120,750. The convertible debenture bears interest at the rate of 10% per annum, calculated and paid quarterly in arrears, and matures on December 29, 2017. The debenture is convertible into units at a conversion price of \$0.07 per unit. Each unit will be comprised of one common share and one share purchase warrant. Each whole warrant will 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.

On March 6, 2017, the Company announced the initial results from its pilot plant operation at SGS Laboratories in Lakefield, Ontario. The pilot plant project was completed with some further results to be subsequently released. After processing over 3.0 tonnes of material representative of the Foxtrot Deposit, the pilot plant testing has clearly demonstrated the ability to produce a high purity mixed rare earth oxide ("REO") concentrate. In addition, the pilot plant testing successfully demonstrated the ability to bring uranium, thorium, zinc and iron levels below those thresholds expected by refiners that separate mixed REO concentrates into individual rare earth elements.

On March 20, 2017, the Company announced a non-brokered private placement of up to 34,000,000 units at \$0.09 per unit for gross proceeds of up to \$3,060,000. On July 11, 2017, the Company announced it had closed the third and final tranche of the private placement. The Company raised aggregate gross proceeds of \$461,985 by issuing 5,133,166 units. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.18 per share expiring July 10, 2018.

On April 6, 2017, the Company announced the results from a bench-top demonstration test on a Deep Fox mineral sample using the Search direct extraction process. The test was completed at SGS Laboratories in Lakefield, Ontario.

The Deep Fox channel grades are up to 15% higher than those at Foxtrot along a similar strike length. The positive results were necessary to support the decision to drill the Deep Fox prospect.

On May 9, 2017, the Company acknowledged receipt of a grant of \$47,246 from the Province of Newfoundland and Labrador towards exploration work completed in 2016 on the Port Hope Simpson REE District.

On July 5, 2017, the Company announced the final results from its pilot plant operation at SGS Laboratories in Lakefield, Ontario. The initial pilot plant results were published on March 6, 2017. The final product (Rare Earth Oxide) composition is presented in the news release.

On September 7, 2017, Search entered into a term sheet with InCoR pursuant to which InCoR agreed to provide funding of \$500,000 by way of a secured convertible debenture (the "Debenture"). The Debenture will have a maturity date of one year from the date of issuance and will bear simple interest at a rate of 15% per annum, calculated and paid semi-annually, in cash or, at InCoR's option, payable in Units. The Debenture will be convertible into units ("Units") of the Company at a conversion price of \$0.06 per Unit. 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 Debenture. The Debenture will be secured by a General Security Agreement over all of the Company's assets, or a Security arrangement which is satisfactory to each party. As a condition of closing, InCoR appointed two nominees to the Search board. Jim Clucas and Dr. James Patterson agreed to voluntarily resign from the Search board to accommodate this condition.

On October 25, 2017, the Company announced that it intends to complete a non-brokered private placement of up to 10,000,000 flow-through shares at a price of \$0.05 per flow-through share for gross proceeds of up to \$500,000. Proceeds of the flow-through financing will allow the company to ramp up for the 2,000m Deep Fox drill program. On December 1, 2017 the Company announced the closing of the first tranche of the private placement raising \$145,000 by issuance of 2,900,000 flow-through shares at \$0.05 per share. On December 11, 2017 the Company closed the second and final tranche of the private placement raising gross proceeds of \$40,000 by the issuance of 800,000 flow-through shares at a price of \$0.05.

On October 27, 2017, the Company received the final tranche of \$350,000 from InCoR for the Debenture. Aggregate proceeds received from the two tranches amounted to \$500,000.

On November 27, 2017, the Company announced the commencing of the Deep Fox drill program and provided Deep Fox channel results from the 2017 summer program. The Deep Fox Drill program will test for mineralization at depth along the 450m observed surface strike length. A successful drill program would confirm close correspondence between surface channel and drill core geology/assays down to at least 400m intersections as was observed at Foxtrot.

On December 11, 2017 the Company announced that on November 30, 2017, the Canadian Environmental Assessment Agency ("CEAA") determined that the Foxtrot Project meets the definition of a designated project under the Canadian Environmental Assessment Act, 2012 and that the project description submitted by Search meets the requirements of the Prescribed Information for a Description of a Designated Project Regulations. The CEAA will conduct a 45-day review of the Project, which includes a 20-day public comment period on a summary of the Project, to determine whether an environmental assessment of the Project is required. On January 16, 2018 the Company announced that it had received notice from the CEAA confirming that the Foxtrot Project will require an environment assessment. This is a milestone event in the development of the Foxtrot Project. The Newfoundland and Labrador Provincial government could determine that further study is required, and issue separate guidelines from that provided by the CEAA. It is expected that the provincial guidelines would augment the CEAA and Search would work with both the Federal and Provincial governments and submit one document for review. On February 14, 2018, Search received notice from the Newfoundland and Labrador government that an Environmental Assessment is also required.

On January 15, 2018 the Company announced that three holes had been completed to date and a fourth started but not completed. These drill holes have shown that rare earth element mineralization is apparent and extending to

the current maximum intersection depth of 100m. The three completed holes have been sampled and logged; samples have been sent for assay and results should be available by early March 2018. The drill program was suspended due to the onset of severe winter conditions at the Deep Fox drill site in southeastern Labrador. The Company has decided that the balance of the planned drill program will be rescheduled to the late spring 2018 under more favorable working conditions. Also, the remainder of the drill program will have the benefit of the review of the assays from the first three drill holes. Deep Fox channel results from the 2017 summer program support high CREE grades and widths similar to or higher than Foxtrot grades. New channel results will be used to help guide the proposed 2000m drilling program at Deep Fox.

On January 15, 2018 the Company announced that the December 2016 Convertible Debenture in the amount of \$120,750 matured on December 29, 2017 and the Debenture Holder agreed to extend the Debenture on the same terms, without penalty or fees, until March 31, 2018.

## **DIRECTOR AND ADVISORY BOARD CHANGES**

On January 11, 2017. The Company announced the appointment of Mr. Leo Power to the Board of Directors as an independent director.

In March 2017, Dr. Andrew Furey agreed to join the Search Advisory Board.

On May 18, 2017, the Annual General Meeting was held and Mr. Greg Andrews was newly elected as a director, along with the existing directors, Jim Clucas, Dr. James Patterson, Dr. David Dreisinger, Roberto Giannetti da Fonseca, Ray Saunders and Leo Power. Mr. Barry Girling resigned as Corporate Secretary but was appointed to the Search Advisory Board.

On May 31, 2017, the Company announced the passing of Mr. Raymond James (Ray) Saunders, a long-time supporter and independent director of the Company.

On October 2, 2017, the board of directors of the Company accepted two nominees from InCoR, being Mr. George Molyviatis and Ms. Jocelyn Bennett, and accepted the voluntary resignations of Jim Clucas and Jim Patterson from the Board. In addition, Jim Clucas also resigned as Executive Chairman of the Company.

On October 3, 2017, to preserve cash, Search entered into debt settlement agreements (the "Settlement Agreements") with some creditors of the Company, pursuant to which the Company agreed to issue an aggregate of 987,501 common shares of the Company at a deemed price of \$0.06 per share (the "Shares for Debt Transactions"). The total amount of indebtedness settled by the Settlement Agreements was \$59,250 (the "Debt"), of which \$25,000 was payable to NunatuKavut Community Council ("NCC") pursuant to the Exploration Activity Agreement (the "NCC Agreement") between the Company and NCC dated August 22, 2012, as amended, (the "NCC Debt") and \$34,250 of which was payable to the former Executive Chairman, Jim Clucas, for accrued management fees. On October 17 2017, the Company issued 416,667 Shares to NCC to settle the NCC Debt and an additional 50,000 shares were issued to NCC under the original terms of the NCC Agreement. In addition, the Company issued 570,834 Shares to Mr. Clucas pursuant to the terms of the Settlement Agreements.

On February 2, 2018, Roberto Giannetti da Fonseca resigned from the Board of Directors. The current composition of the Board of Directors is: Mr. Greg Andrews, Dr. David Dreisinger, Mr. George Molyviatis, Ms. Jocelyn Bennett and Mr. Leo Power.

## **OUTLOOK**

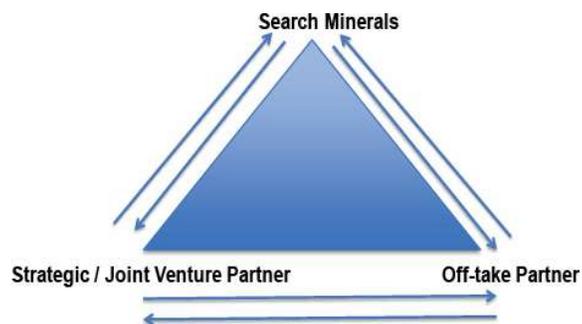
Search Minerals' focus is on exploration and development of the Port Hope Simpson Critical Rare Earth Element District in Southeastern Labrador, Canada. This District is road accessible, on tidewater and contains quantities of those elements that are in short supply and considered strategic or critical due to their use in green economy technologies. Based on these attributes, the Company intends to become a competitive, low-cost, environmentally responsible supplier of Critical Rare Earth Elements ("CREE") to the global marketplace.

To accomplish this Search will leverage its scalable breakthrough Direct Extraction Metallurgical Process (patent pending) and its highly accessible district-scale resources in SE Labrador to attract two important strategic partners; a strategic partner(s) to finance to a bankable feasibility study for development of its FOXTROT Resource, and an offtake partner whose long-term commitments will provide the stable income necessary to access capital financing for projects of this size.

The Company will continue to advance the project to a Bankable Feasibility Study. The near-term steps to accomplish this are discussed below:

### **Strategic Partner**

In October 2017, Search secured a strategic partner with the investment from InCoR Holdings Inc. The recent completion of the pilot plant using the Search Proprietary Direct Extraction Metallurgical Process was instrumental for the due diligence of InCoR's investment into Search. InCoR's expertise in financing projects, especially with new technologies, will provide Search with a source of funding to further develop the district and seek offtake partners.



### **Developing the Critical Rare Earth Element District**

#### **Foxtrot Project**

The FOXTROT Project is our key project for development based on a total indicated resource of 7.39 million tonnes and an inferred resource of 1.98 million tonnes, the Life of Mine Plan outlined in the PEA indicates that 4.9 million tonnes of material at an average grade of 0.98% Total Rare Earth Elements ("TREE") could be mined over a 14-year period, including open pit mining for the first eight years and underground mining thereafter. Drilling indicates that the mineralization at Foxtrot is open at depth below the current resource and PEA Mine Plan. The Company has defined the current resource and additional drilling on Foxtrot would be required in the preparation of a bankable feasible study.

#### **Deep Fox**

The Company was encouraged by the channel sampling program conducted in 2015 on the Deep Fox prospect. The Deep Fox prospect is easily accessed via a recently constructed bush road beginning near the St. Lewis Airport. The 53 initial channel samples taken at Deep Fox were used to plan a much more extensive channel sampling program in 2015. A further 5 infill channels were completed in 2017 to support the drill program. Including all three channeling programs, a total of 31 channels have been cut at the Deep Fox prospect and 1156 samples have been collected and analyzed.

The Deep Fox channel program and the extensive mapping, sampling and geophysics, has allowed Search to be able to make the following observations:

- The geology and mineralization at Deep Fox is the same as at FOXTROT
- At 500 metres, Deep Fox is similar in strike length as FOXTROT
- Mineralized zone widths are as wide or wider (up to 30m) than at FOXTROT
- Mineralized channel sample assays are on average greater than 15% higher than those at Foxtrot

Based on the positive channel sample program, along with the successful bench scale metallurgy test on the Deep Fox material, the Company commenced the Deep Fox drill program in November 2017. Three holes were completed and a fourth started before the drill program was suspended due to the onset of severe winter conditions and the seasonal holidays. The Company has decided that the balance of the planned drill program will be rescheduled to the late spring 2018 under more favorable working conditions. The three completed drill holes have shown that rare earth element mineralization is apparent and extending to the current maximum intersection depth of 100m

and have been sampled and logged; samples have been sent for assay and results should be available by early March 2018. The remainder of the drill program will have the benefit of the review of the assays from the first three drill holes. Upon review of the assay results, the Company will re-evaluate the initial drill program parameters, which may include increasing from a 2000m program to potentially 4000m. Additional drilling could allow Search to define another mineral resource akin to FOXTROT, and thereby validating our District concept.

### **Environmental Assessment Notice from Federal and Provincial Agencies**

Search has received notice from the Canadian Environmental Assessment Agency (“CEAA”) and from the Province of Newfoundland and Labrador (“Province”) for Search to provide an Environmental Impact Statement (“EIS”). Both CEAA and the Province, will provide guidelines required for the preparation of the EIS. Both agencies will work in concert to reduce duplication in the EIS process. Search has received the guidelines from CEAA and are awaiting the guidelines from the Province. The Company expects to initiate environmental base line studies as defined in the guidelines. The environmental base line studies will take place along with transparent and open communication with all stakeholders and interest groups in the submission of the EIS. This EIS preparation is another milestone in the development and permitting of the project.

### **Direct Extraction Process Refining**

Search Minerals completed a successful pilot plant operation in June 2017 using the proprietary Direct Extraction Process at SGS Laboratories in Lakefield, Ontario. The pilot plant provided Search with a sample of a 99% high purity mixed rare earth oxide concentrate (“REO Concentrate”) for further testing at separation facilities. The Company has been in continued discussion with various separation refineries whom have either tested the material or reviewed the technical information from the pilot plant.



In conjunction with processing the FOXTROT material during the pilot plant operation, a bench-top demonstration test of the Deep Fox mineral sample was also completed at SGS Laboratories in Lakefield, Ontario. The test highlights provided extractions of 90.8% Neodymium, 90.5% Praseodymium, 81.3% Dysprosium and 82.5% Terbium, which compare favorably with the extractions from the Foxtrot recent pilot plant studies.

The Company received funding from Atlantic Canada Opportunities Agency (“ACOA”) and Research and Development Corporation of Newfoundland and Labrador (“RDC”) for \$1,250,000 towards a budgeted pilot plant cost of \$1,900,000. The goals of the pilot plant, which were achieved, included:

- 1) Optimize the process
- 2) Demonstrate the process on a larger scale
- 3) Test new equipment
- 4) Produce product for refinery evaluation
- 5) Generate engineering design data for a feasibility study

On May 2, 2016, Search filed on [www.sedar.com](http://www.sedar.com) an updated Preliminary Economic Assessment (“PEA”) which provided an initial capital cost of \$152M, with \$33M contingency, with after-tax IRR of 16.7% and after-tax payback of 4.4 years.

This PEA evaluates an open pit-underground scenario with lower capital costs, a lower mining rate and higher grade processing facility feed. The revised PEA was prepared by Roscoe Postle Associates Inc. (“RPA”) and the results are being disclosed in accordance with National Instrument 43-101 (“NI 43-101”). It reconfirms that the Foxtrot Project has positive economics and the potential to become a profitable producer of Rare Earth Elements (“REE”),

particularly Dy, Nd, Pr and Tb. The PEA's objective was to incorporate the Mineral Processing Engineering Study ("Study") prepared by SNC-Lavalin for the Company in June 2015.

The Study reports the estimated construction and operating costs for a REE mineralization treatment facility in SE Labrador that applies Search's proprietary process for treatment of REE mineralization from the Company's Foxtrot Deposit. The proprietary process is a direct leach on crushed material, thereby eliminating grinding, flotation, gravity and magnetic separation, and as a result produces waste that is a dry stackable inert residue, thereby eliminating the need for wet tailing ponds. Search has been able to reduce the initial capital costs as a smaller, yet profitable, scale operation. Management continues to review advancement in separation technology which could provide the same or lower separation pricing as existing proven solvent extraction processing.

The Company is looking for further pilot plant optimization based on the recommendations from SGS Canada. Also, Search is exploring the opportunity to build and operate a demonstration plant. This demonstration plant would provide Search with substantially more REO Concentrate for further refining and qualifications required to secure the end-users or an off-take agreement. Search would look to secure funding for the demonstration plant with a mixture of alternative financings, equity financings and sources of government assistance programs.

### **Current and future Rare Earth Element Market**

There have been key government led initiatives which have positively impacted the forecasted growth within certain rare earth markets. The Foxtrot Project and potential Deep Fox prospect contain those rare earth elements deemed to be in short supply and high demand into the future such as neodymium (Nd), praseodymium (Pr), dysprosium (Dy), lanthanum (La) and terbium (Tb), which are key elements for the permanent magnet market.

Ryan Castilloux published the Adamas Intelligence Report on December 2016, called "Rare Earth Market Outlook: Supply, Demand, and Pricing from 2016 through 2025" and stated "*The outlook for the rare earth demand from 2020 through 2025, and beyond, is exceptionally promising. This period reveals that for many of the today's most publicized rare earth end-uses, such as electric vehicles, wind turbines, and many others, the rate of annual demand growth is poised to rapidly accelerate from 2020 through 2025, steering global rare earth demand to unfathomable new heights. The future will be marked by strong demand growth for a number of rare earth elements, such as neodymium, praseodymium, dysprosium and lanthanum, and, consequently, will see prices of most rare earth products return to levels that sustain the profitability and growth of today's dominant producers, and incentivize continued investment in exploration and resource development globally.*"

Adamas Intelligence made the following comments in August 2017:

- "*Spot Nd/Pr oxide prices at 3-year highs, up +50% YTD on Chinese domestic market*"
- "*Prices up on rising demand, moderated supply, and a reduction in spot supplies*"
- "*Long-term offtake agreements are thinning availability of Nd/Pr on the spot market*"
- "*Adamas long term NdPr oxide price forecast remains unchanged, near term forecast increased*"
- "*Higher prices sooner will provide a boost for late-stage exploration projects*"

Management will continue to build market/investor awareness of Search with a view to broadening our shareholder base, improving liquidity and attracting equity investment for exploration and development programs.

Search has a goal to increase the IRR<sub>10</sub> of the project above 30% and the initiatives to be considered are:

- 1) Increase the recovery rates from the processing – recent pilot plant and bench scale tests show recoveries well above those used in the 2016 PEA
- 2) Engineering Review – our goal is to reduce CAPEX requirements by 35%
- 3) Reduce separation costs – by examining new separation technologies and excess capacity at existing refineries. Search is currently sending concentrate samples to potential separation companies with the goal of reducing separation costs by 50% compared to those used in the 2016 PEA
- 4) Optimize the development of the Port Hope Simpson Critical Rare Earth Element District

## MINERAL PROPERTIES

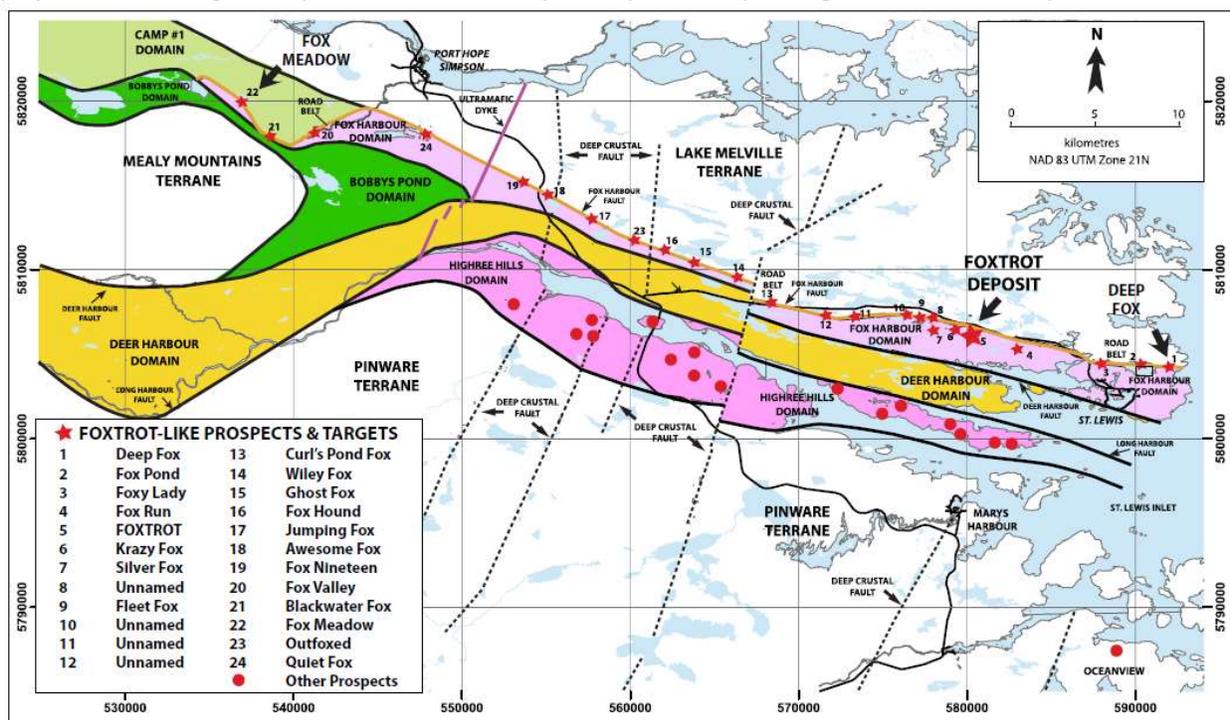
The rare metals elements (“REE”) mentioned are defined as follows: La – Lanthanum, Ce – Cerium, Pr – Praseodymium, Nd – Neodymium, Pm – Promethium, Sm – Samarium, Eu – Europium, Gd – Gadolinium, Tb – Terbium, Dy – Dysprosium, Ho – Holmium, Er – Erbium, Tm – Thulium, Yb – Ytterbium, Lu – Lutetium, Y – Yttrium, Zr – Zirconium and Nb – Niobium.

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.

### Port Hope Simpson REE District, Labrador

Search Minerals Inc. began exploring for Rare Earth Elements (“REE”) near the communities of St. Lewis and Port Hope Simpson in 2009. Early in the exploration cycle it became apparent that the NW trending Fox Harbour volcanic belt contained significant quantities of REE and had the potential to be a prolific District. The FOXTROT deposit, on which a favourable Preliminary Economic Assessment (“PEA”) now exists (updated in April 2016), was discovered in 2010 through systematic follow-up of coincident airborne radiometric/magnetic anomalies. More than 20 additional prospects were identified within a 70 km long and 8 km wide belt that is now controlled by Search.

Search controls a rapidly emerging Critical Rare Earth Element (“CREE”) District in SE Labrador that is road accessible and on tidewater. The FOXTROT Deposit was the first of three important discoveries. Based on surface expression, the other two, Deep Fox and Fox Meadow, appear to be at least as large as FOXTROT. Surface channel sample assays at Deep Fox yielded grades 15% higher than channels at FOXTROT. Search has identified more than 20 other prospects in this highly accessible District and has developed a proprietary, scalable, hydrometallurgical process to optimize every opportunity to position as a competitive low-cost supplier of CREE well into the future. Search enjoys tremendous support from the Government of Canada and the Government of Newfoundland and Labrador, both of which have financially supported the development of our proprietary metallurgical process. In addition, Search personnel on the ground have built strong relationships with local communities and with the Nunatukavut Community Council who represent the local indigenous people. All of these factors will help to ensure that our project can be brought into production at relatively low capital and operating costs and in a timely manner.



## **Foxtrot Project**

Based on a total indicated resource of 7.39 million tonnes and an inferred resource of 1.98 million tonnes, the Life of Mine Plan outlined in the PEA indicates that 4.9 million tonnes of material at an average grade of 0.98% Total Rare Earth Elements (“TREE”) could be mined over a 14-year period, including open pit mining for the first eight years and underground mining thereafter. Drilling indicates that the mineralization at Foxtrot is open at depth below the current resource and PEA Mine Plan.

On February 16, 2016, the Company announced the results of the updated PEA on its Foxtrot Project. The final NI 43-101 PEA was filed on [www.sedar.com](http://www.sedar.com) on May 2, 2016. The PEA evaluates an open pit-underground scenario with lower capital costs, a lower mining rate and higher grade processing facility feed. The revised PEA was prepared by Roscoe Postle Associates Inc. (“RPA”). It reconfirms the Foxtrot Project has positive economics and the potential to become a profitable produce of REE. Highlights of the PEA include:

- \$152 million initial capital cost – includes \$33 million contingency
- \$57 million underground mining capital (Year 8)
- \$23 million sustaining and closure capital
- \$1.713 billion total net revenue
- Net Present Value (10%) discount rate of \$93 million pre-tax and \$48 million after-tax
- Internal rate of return of 22.2% pre-tax and 16.7% after-tax
- Payback period of 3.5 years pre-tax and 4.4 years after-tax
- Undiscounted cash flow of \$327 million pre-tax and \$226 million after tax
- Mine life: 14 years: 8 years open pit, 6 years underground

The Mineral Processing Engineering Study from SNC-Lavalin (June 2015) along with the updated Foxtrot Mineral Resource (December 2015) was the basis of the PEA to ensure Search’s proprietary metallurgy process would lead to significant cost savings in capital and operating costs. Search has been able to reduce the initial capital costs as a smaller, yet profitable, scale operation. The Foxtrot project supports low initial capital costs, a good IRR, a short payback period, and is scalable. A feature of the Foxtrot deposit geology allows Search to commence mining in mineralized material for early cash flow. The Processing Facility for this PEA would be located at the proposed Foxtrot mine site, however, further development in the District may determine that an alternative location may be more beneficial. The PEA outlines our current business model as Search continues to seek potential strategic and off take partners.

## **Deep Fox Prospect**

*(Formerly called the Deepwater Fox Prospect)*

Deep Fox is located 12 km east of the Foxtrot deposit and became Search’s second major discovery within the Fox Harbour volcanic belt (part of the Port Hope Simpson CREE District) following an initial channel sampling program during the 2014 field season. The Deep Fox prospect is located atop a hill, nearby the abandoned fishing community of Deepwater Creek.

The Deep Fox prospect is easily accessed via a recently constructed bush road beginning near the St. Lewis Airport. The 53 initial channel samples taken at Deep Fox were used to plan a much more extensive channel sampling program in 2015 in which 25 channels were sampled. A further 5 infill channels were completed in 2017 to support the drill program. Including all three channeling programs, a total of 31 channels have been cut at the Deep Fox prospect and 1156 samples have been collected and analyzed.

The Deep Fox channel program and the extensive mapping, sampling and geophysics, has allowed Search to be able to make the following observations:

- The geology and mineralization at Deep Fox is the same as at FOXTROT
- At 500 metres, Deep Fox is similar in strike length as FOXTROT
- Mineralized zone widths are as wide or wider (up to 30m) than at FOXTROT
- Mineralized channel sample assays are on average greater than 15% higher than those at Foxtrot.

This is an exciting discovery in an excellent location and is Search's next target for an extensive exploration drilling program. If reserves are delineated here they would be close enough to the proposed FOXTROT mine development to provide additional feed to either extend the life of the overall operation or to facilitate a scaling-up for greater operational economies. The above table summarizes several significant surface channel REE assay intercepts taken at the Deep Fox prospect.

### **Deep Fox Drill Program**

Three drill holes were completed to date with geological and geophysical parameters indicating that mineralization, similar to that observed and assayed in surface channels (see Search Minerals news releases Nov. 27th, 2017, Jan. 27th, 2017 and Oct. 15th, 2015), occurs in each of the drill holes. Geological logging, sampling and other data acquisition are in progress; geochemical assays, required to determine the grade of mineralization, will be available in early 2018.

The geological model developed for the Foxtrot deposit (see Search Minerals Foxtrot PEA, April 28th, 2016) indicates that mineralization observed on surface also occurs at intersection depths (vertically below the surface) of at least 400m (mineralization is open at depth). At Foxtrot the mineralization, both higher and lower grades, dips at 70-90° towards the north and extends continuously from the surface to the deepest intersection; specific geological units can be followed from the surface to each progressively deeper drill hole.

Like the Foxtrot Deposit, the Deep Fox REE prospect occurs in the Fox Harbour volcanic belt, is hosted by peralkaline felsic volcanic rocks and dips 70-90° towards the north. The first three drill holes indicate that mineralization occurs at the 50m intersection depth (FD-17-01 and FD-17-02) and the 100m intersection depth (FD-17-03). Geological logging of the drill core from these three holes indicates that mineralization of unknown grade (assays available in early 2018) occurs at 50 and 100m depths.

The drill program was suspended due to the onset of severe winter conditions at the Deep Fox drill site in southeastern Labrador. The Company has decided that the balance of the planned drill program will be rescheduled to the late spring 2018 under more favorable working conditions. Also, the remainder of the drill program will have the benefit of the review of the assays from the first three drill holes

### ***Fox Meadow Prospect***

The Fox Meadow discovery is located 11km west of Port Hope Simpson and 1km southeast of a graveled forest access road, which extends southwestward from the Trans Labrador Highway. It coincides with a magnetic anomaly approximately 1km long and 250m wide. Geological mapping and channel sampling indicate that the mineralization occurs in two bands. The northerly band was initially sampled by four sections of channels that indicate a width of the mineralized zone of at least 30m and a strike length of 425m; high grade mineralization in channels is up to 8m wide. Outcrop mapping in 2016 extended the mineralized zone by an additional 200m.

The observed surface dimensions of higher-grade mineralization at Fox Meadow are similar to the Foxtrot Deposit (10-14m wide and 400m long) and Deep Fox Prospect (up to 34m wide and 500m long). CREE channel sample assays from Fox Meadow are similar to those at Deep Fox and FOXTROT, affirming that Fox Meadow is the third FOXTROT-like mineralized zone in the District.

The table above illustrates the similarities between the FOXTROT Project, and the Deep Fox and Fox Meadow prospects. In particular, Deep Fox shows mineralized zones with high concentrations of Dysprosium (Dy) Neodymium (Nd), Praseodymium (Pr) and Terbium (Tb), our key revenue generators, and the elements with higher demand and a lower supply in the near future.

### ***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. Although the Company has written-down costs for accounting purposes, the Company still holds the Red Wine Property. The Red Wine property is located approximately 100km north-east of Churchill Falls, Labrador. The majority of these claims do not require any funding until the year 2022, at which time, depending on the rare earth element market, Search can decide whether to continue work on this 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 value. The agreement also sets out hiring and business opportunities for NunatuKavut members and communities as well as certain financial considerations. The agreement will continue indefinitely unless one or both parties elect to terminate.

### **SELECTED ANNUAL INFORMATION**

The Company's fiscal years ends on November 30<sup>th</sup> of each year. The following is a summary of certain selected audited financial information for the last three completed fiscal years:

	<b>November 30, 2017</b>	<b>November 30, 2016</b>	<b>November 30, 2015</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Total Revenues	-	-	-
Income (Loss)	(885,557)	(413,890)	300,968
Income (Loss) per Share (basic and diluted)	(0.01)	(0.00)	0.00
Deferred Resource Property Exploration Expenditures	1,022,598	492,240	637,279
Total Assets	11,082,621	10,442,455	10,213,175
Total Liabilities	1,432,929	570,998	951,356
Dividends Declared	-	-	-

The reduced loss during the year ended November 30, 2016 was due to gain on debt settlement of \$390,334 and the gain on sale of marketable securities of \$47,123. The income during the year ended November 30, 2015 was due to the Company recording a gain on sale of mineral property of \$150,000, a gain on debt settlement of \$444,102 and proceeds on sale of technology of \$750,000 offset by share-based compensation expense of \$245,174.

### **RESULTS OF OPERATIONS**

#### *Year ended November 30, 2017 and 2016*

The Company had a loss of \$885,557 (\$0.01 per share) for the year ended November 30, 2017 as compared to a loss of \$413,890 (\$0.00 per share) for the year ended November 30, 2016. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported loss to produce an adjusted loss that forms a better basis for comparing the period over period operating results of the Company.

	2017 (\$)	2016 (\$)
Loss for the year as reported	(885,557)	(413,890)
Add (deduct):		
Amortization	7,557	12,983
Share-based compensation – stock options	12,133	-
Flow-through premium income	(29,000)	-
Accretion of convertible debenture	10,707	-
Gain on sale of marketable securities	-	(47,123)
Gain on debt settlement	(16,525)	(390,334)
Adjusted loss for the year <sup>(1)</sup>	(900,685)	(838,364)

(1) Adjusted loss for the year is not a term recognized under IFRS.

- The Company granted 600,000 stock options during the 2017 year which vest over a period of twelve months.
- Accretion of convertible debentures represents the accounting entry required to bring the book value of the convertible debentures up to their face value at maturity. This accretion expense represents the additional interest expense that would have been required had the convertible debentures not had a conversion feature.
- The flow-through premium income of \$29,000 represents the value of the tax benefits transferred from Search to the flow-through share investors.
- During the year ended November 30, 2016, the Company sold 1,500,000 common shares of Quest Rare Minerals Ltd. for gross proceeds of \$197,123 and accordingly, the Company recorded a gain on sale of marketable securities of \$47,123.
- During the year ended November 30, 2017 the Company settled \$60,963 of payables by issuing 987,501 common shares at the fair value of \$44,438 resulting in a gain on settlement of accounts payable of \$16,525.
- During the year ended November 30, 2016, the Company settled \$299,293 of payables by paying cash of \$41,691, issuing 2,021,645 common shares at the fair value of \$115,127 and issuing 357,143 share purchase warrants at the fair value of \$3,571 resulting in a gain on settlement of accounts payable and accrued liabilities of \$138,904. In addition, the Company settled an amount due to former related parties of \$371,430 by agreeing to pay \$120,000 resulting in a gain on settlement of accounts payable and accrued liabilities of \$251,430.

The increase in the adjusted loss for the year ended November 30, 2017 compared to the year ended November 30, 2016 is the net result of a number of differences in various expenses as follows:

- Accounting and audit fees of \$68,075 (2016: \$66,168) are comprised of fees to maintain the accounting records and prepare financial reports as required.
- Administration expense and management fees of \$359,041 (2016: \$278,349) are comprised of fees paid to executive management of the company as well as administrative staff. The increase in the current period was due to the \$75,000 severance paid to the former Executive Chairman of the Board.
- Consulting fees of \$30,300 (2016: \$155,073) included consulting fees paid to the VP of Metallurgy as well as consulting fees paid to a group assisting the company with strategic investors and off-take agreements. The decrease in the current year is due to consulting fees paid to the VP of Metallurgy being allocated to the Foxtrot Project as metallurgical consulting.
- Legal fees of \$46,913 (2016: \$46,807) are general legal fees to comply with various regulations.
- Office and miscellaneous expenses of \$67,010 (2016: \$81,648) includes insurance and other miscellaneous expenses.
- Regulatory and transfer agent fees of \$24,856 (2016: \$30,440) are fees paid to maintain the listing on the TSX-V.
- Shareholder and investor relations expense of \$146,587 (2016: \$53,177) are fees incurred to market the Company current and potential investors. A \$72,000 per annum investor relations contract expired on August 31, 2017.

- Travel and accommodation expenses of \$47,683 (2016: \$50,273) includes executive travel to the properties in Newfoundland as well as travel for investor relations purposes.

*Three months ended November 30, 2017 and 2016*

	2017 (\$)	2016 (\$)
(Loss) income for the period as reported	(145,736)	126,391
Add (deduct):		
Amortization	7,557	3,847
Flow-through premium income	(29,000)	-
Gain on debt settlement	(16,525)	(385,134)
Gain on sale of marketable securities	-	(8,500)
Accretion of convertible debenture	5,749	-
Adjusted loss for the period <sup>(1)</sup>	(177,955)	(263,396)

<sup>(1)</sup> Adjusted loss for the period is not a term recognized under IFRS.

The decrease in the adjusted loss for the period was due primarily to \$90,000 of metallurgical consulting fees being allocated to the Foxtrot Project during the 2017 period.

**QUARTERLY INFORMATION**

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended November 30, 2017.

	Three Months Ended (\$)			
	Nov 30, 2017	Aug 31, 2017	May 31, 2017	Feb 28, 2017
Total Revenues	-	-	-	-
Income (Loss)	(145,736)	(205,330)	(247,908)	(286,583)
Income (Loss) Per Share (basic and diluted) <sup>(1)</sup>	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	11,082,621	10,439,349	10,489,738	10,653,272
Total Liabilities	1,432,929	842,652	689,350	1,060,878
Shareholders' Equity	9,649,692	9,596,697	9,800,388	9,592,394

	Three Months Ended (\$)			
	Nov 30, 2016	Aug 31, 2016	May 31, 2016	Feb 29, 2016
Total Revenues	-	-	-	-
Income (Loss)	126,391	(164,034)	(190,908)	(185,339)
Income (Loss) Per Share (basic and diluted) <sup>(1)</sup>	0.00	(0.00)	(0.00)	(0.00)
Total Assets	10,442,455	9,818,943	9,961,552	10,222,931
Total Liabilities	570,998	1,004,048	949,778	1,120,594
Shareholders' Equity	9,871,457	8,814,895	9,011,774	9,102,337

<sup>(1)</sup> The basic and diluted calculations result in the same values.

The income recorded for the three months ended November 30, 2016 was from a \$385,134 gain on debt settlement

**FINANCING ACTIVITIES**

On September 7, 2017, the Company entered into a term sheet with InCoR Holdings Plc, ("InCoR") pursuant to which InCoR agreed to provide funding of \$500,000 by way of a secured convertible debenture (the "Debenture"). The Debenture will have a maturity date of one year from the date of issuance and will bear interest at a rate of 15% per annum, calculated and paid semi-annual in cash or, at InCoR's option, payable in Units. The Debenture will be

convertible into units ("Units" of the Company at a conversion price of \$0.06 per Unit. 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 Debenture. The Debenture will be secured by all of the Company's assets.

On September 28, 2017 the Company received the first \$150,000 from InCoR. On October 27, 2017, the Company received the final tranche of \$350,000, for aggregate proceeds received from the two tranches of \$500,000.

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.

During the year ended November 30, 2017, the Company completed financings as follows:

- i) On December 29, 2016, the Company issued an unsecured convertible debenture in the amount of \$120,750. The convertible debenture bears interest at the rate of 10% per annum, calculated and paid quarterly in arrears, and matures on December 29, 2017. The debenture is convertible into units at a conversion price of \$0.07 per unit. Each unit will be comprised of one common share and one share purchase warrant. Each whole warrant will 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.
- ii) On May 5, 2017, the Company completed the first tranche of a non-brokered private placement of 3,622,166 units at a price of \$0.09 per unit for gross proceeds of \$325,995. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.18 per common share up to July 10, 2018.
- iii) On May 31, 2017, the Company completed the second tranche of a non-brokered private placement of 1,400,000 units at a price of \$0.09 per unit for gross proceeds of \$126,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.18 per common share up to July 10, 2018.
- iv) On July 10, 2017, the Company completed the third and final tranche of a non-brokered private placement of 111,000 units at a price of \$0.09 per unit for gross proceeds of \$9,990. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.18 per common share up to July 10, 2018.
- v) On November 30, 2017, the company completed the first tranche of a non-brokered private placement of 2,900,000 flow-through shares at a price of \$0.05 per share for gross proceeds of \$145,000.

The Company will use the proceeds from the private placements to prepare the Deep Fox prospect for a 2,000m drilling program, to complete the environmental application process and for general working capital requirements.

During the year ended November 30, 2016, the Company completed financings as follows:

- i) 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 November 14, 2017.
- ii) On October 27, 2016, the Company completed the second tranche of a non-brokered private placement of 5,790,000 units at a price of \$0.07 per unit for gross proceeds of \$405,300. 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 November 14, 2017.
- iii) On November 14, 2016, the Company completed the third and final tranche of a non-brokered private placement of 1,286,500 units at a price of \$0.07 per unit for gross proceeds of \$90,055. 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 November 14, 2017.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at November 30, 2017, the Company's cash balance was \$293,508 with a working capital deficiency of \$925,167.

The Company's operations consumed \$895,864 of cash, before working capital items, during the year ended November 30, 2017 (2016: \$838,364) with an additional \$1,690,041 (2016: \$874,053) was utilized on mineral property acquisition costs and deferred exploration expenditures. The cash requirement for the year ended November 30, 2017 was fulfilled from cash on hand at the beginning of the year, \$1,123,053 of government assistance from ACOA, Innovate NL (RDC) and the Government of Newfoundland and Labrador (JEA Program), \$620,750 from issuing convertible debentures and \$606,985 from completing three tranches of a private placement equity financing and one tranche of a flow-through financing.

The Company's aggregate operating, investing and financing activities during the year ended November 30, 2017 resulted in a net decrease in its cash balance from \$391,412 at November 30, 2016 to \$293,508 at November 30, 2017. The Company's working capital decreased by \$1,260,806 correspondingly during the year and stood at a deficiency of \$925,167 at November 30, 2017. The Company has accumulated losses since inception of \$16,297,288.

The Company does not have any commitments for material capital expenditures over the near term or long term other than a \$10,000 annual payment to the vendors of the Quinlan Property and the building lease of \$7,000 per month expiring December 31, 2022.

The Company has not put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. Since the Company will likely not have cash flows from operations over the next year, it will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

## **GOING CONCERN**

The 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 November 30, 2017, the Company had not yet achieved profitable operations, had a working capital deficiency of \$925,167, had an accumulated deficit of \$16,297,288 since inception and expects to incur further losses in the development of its business. In particular, the Company requires additional funds in order to meet planned 2017 objectives, including the drilling of the Deep Fox prospect. 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 November 30, 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. A Convertible Debenture in the amount of \$120,750 matured on December 29, 2017. The Debenture Holder agreed to extend the Debenture on the same terms, without penalty or fees, until March 31, 2018.

## TRANSACTIONS WITH RELATED PARTIES

During the years ended November 30, 2017 and 2016, 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:

	2017	2016
	\$	\$
Administration and management fees <sup>(1)</sup>	<b>356,250</b>	275,000
Consulting fees <sup>(2)</sup>	-	90,000
Non-executive directors fees	<b>63,000</b>	54,000
Mineral property expenditures		
Geological consulting, salaries, wages and benefits <sup>(3)</sup>	<b>130,000</b>	124,165
Metallurgical consulting <sup>(2)</sup>	<b>90,000</b>	-
Rent	<b>84,000</b>	72,000
	<b>723,250</b>	615,165

(1) Includes salary earned by the former Chairman of the Board, Jim Clucas, and fees billed by the CEO, Greg Andrews. The business purpose of the transactions was to compensate the individuals for administration and management services provided. The Company had consulting agreements with Jim Clucas and Greg Andrews that include termination clauses and a change of control provisions calling for lump sum payments. On September 5, 2017 the agreement between the Company and Jim Clucas was terminated resulting in a lump sum cash payment of \$75,000 to Jim Clucas.

(2) Includes fees billed by the VP of Metallurgy, Dr. David Dreisinger. The business purpose of the transactions was to compensate Dr. David Dreisinger for assisting with metallurgical work relating to the Company's REE properties. The Company has a consulting agreement with Dr. David Dreisinger. The agreement includes a termination clause and a change of control provision calling for lump sum payments.

(3) Includes fees billed by the VP of Exploration, Dr. Randy Miller. The business purpose of the transactions was to compensate Dr. Randy Miller for managing the mineral properties.

At November 30, 2017, due to related parties of \$419,031 (November 30, 2016: \$153,438) included 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 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 years ended November 30, 2017 and 2016 is as follows:

	2017	2016
	\$	\$
Short-term benefits	564,250	543,165
Termination benefits	75,000	-
	<b>639,250</b>	543,165

## FINANCIAL INSTRUMENTS

### *Designation of Financial Instruments*

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties, and convertible debentures. The Company designated its cash and receivables as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, due to related parties and convertible debentures are designated as other financial liabilities, which are measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

#### Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with a large Canadian bank.

#### Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of minerals under exploration.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. Refer to the going concern note for additional disclosure. As at November 30, 2017 and 2016, the Company had working capital (deficiency) as follows:

	2017	2016
	\$	\$
Current assets	410,047	784,922
Current liabilities	(1,335,214)	(449,283)
Working capital (deficiency)	(925,167)	335,639

#### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

a) *Currency Risk*

As at November 30, 2017 and 2016, all of the Company's cash was held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations. The Company has had nominal amounts of payables in US dollars.

b) *Interest Rate Risk*

As at November 30, 2017, the Company had convertible debentures bearing interest at fixed rates from 10%-15% per annum. As the Company had no variable rate interest bearing financial instruments, the Company is not exposed to interest rate risk.

c) *Price Risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company has no financial instruments subject to price risk.

### OUTSTANDING SHARE CAPITAL

Authorized: Unlimited number of common shares

Issued and outstanding: 156,092,857 common shares as at February 23, 2018.

Options and warrants outstanding as at February 23, 2018

Security	Number	Exercise Price	Expiry Date
Stock Options	1,425,000	\$0.10	April 26, 2018
Stock Options	100,000	\$0.07	October 29, 2018
Stock Options	600,000	\$0.10	April 18, 2019
Stock Options	6,850,000	\$0.10	June 30, 2020
Stock Options	5,050,000	\$0.08	August 14, 2021
<b>TOTAL</b>	14,025,000		

Security	Number	Exercise Price	Expiry Date
Share Purchase Warrants	2,566,583	\$0.18	July 10, 2018
<b>TOTAL</b>	2,566,583		

Security	Number	Exercise Price	Expiry Date
Convertible debenture	1,725,000	<sup>(1)</sup> \$0.07	March 31, 2018
Convertible debenture	2,500,000	<sup>(2)</sup> \$0.06	September 28, 2018
Convertible debenture	5,833,333	<sup>(2)</sup> \$0.06	October 27, 2018
<b>TOTAL</b>	10,058,333		

(1) The Company has a convertible debenture of \$120,750 outstanding that is exercisable into 1,725,000 units. Each unit will be comprised of one common share and one share purchase warrant with each warrant entitling the holder thereof to purchase an additional common share of the Company at \$0.14 per common share for up to one year from the date of conversion of the debenture.

(2) The Company has a convertible debenture of \$500,000 outstanding that is exercisable into 8,333,333 units. Each unit will be comprised of one common share and one share purchase warrant with each warrant entitling the holder thereof to purchase an additional common share of the Company at \$0.07 per common share for up to five years from the date of issuance of the debenture. Interest payable will also be convertible into units at the option of the lender at a conversion price of \$0.06 per unit.

## **DISCLOSURE CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended November 30, 2017 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RISKS AND UNCERTAINTIES**

The exploration and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not be successful in overcoming. Few mineral properties which are explored ultimately develop into producing mines. There has been no commercial production of minerals on properties held by the Company to date and there is a high degree of risk that commercial production of minerals will not be achieved.

Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The mining industry is intensely competitive. The commercial viability of a mineral deposit depends on a number of factors including the particular attributes of the deposits (principally size and grade), proximity to infrastructure, the impact of mine development on the environment, environmental regulations imposed by various levels of government and the competitive nature of the industry which causes mineral prices to fluctuate substantially over short periods of time. There can be no assurance that the minerals can be marketed profitably or in such a manner as to provide an adequate return on invested capital.

The operations of the Company are subject to all of the risks normally associated with the operation and development of mineral properties and the development of a mine, including encountering unexpected formations or pressures, caving, flooding, fires and other hazards, all of which could result in personal injuries, loss of life and damage to property of the Company and others. In accordance with customary industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable.

The operations of the Company's properties will be subject to various laws and regulations relating to the environment, prospecting, development, production, waste disposal and other matters. Amendments to current laws and regulations governing activities related to the Company's mineral properties may have material adverse impact on operations.

The Company will need additional funding to complete its long term objectives. The ability of the Company to raise such financing in the future will depend on the prevailing market conditions, competition with other strategic metals exploration stage companies, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

The Company's working capital and liquidity fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under its resource property acquisition agreements. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interests in the properties covered by the agreements. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments.

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may become involved in legal disputes in the future. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the solution of any particular legal proceeding will not have a material adverse effect on the Company's financial position or results of operations.

All of the Company's mineral properties are in the exploration stage. Exploration and development of natural resources involve substantial expenditures and a high degree of risk. Few properties that are explored are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes off its mineral properties from time to time, and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

#### **OTHER INFORMATION**

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at <http://www.searchminerals.ca>.

#### **QUALIFIED PERSONS:**

Dr. David Dreisinger, Ph.D., P.Eng., is the Company's Vice President, Metallurgy and Qualified Person for the purposes of NI 43-101. Dr. Dreisinger has reviewed and approved the technical disclosure contained herein as applicable.

Dr. Randy Miller, Ph.D., P.Geo, is the Company's Vice President, Exploration, and Qualified Person (as defined by National Instrument 43-101) who has supervised the preparation of and approved the technical information reported herein as applicable. The company will endeavour to meet high standards of integrity, transparency, and consistency in reporting technical content, including geological and assay (e.g., REE) data.