

SEARCH MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2019 and 2018

(Expressed in Canadian dollars)

Search Minerals Inc.

Consolidated Financial Statements

Years ended November 30, 2019 and 2018

(Expressed in Canadian Dollars)

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Mao & Ying LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Search Minerals Inc.**

Opinion

We have audited the consolidated financial statements of **Search Minerals Inc.** (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated financial statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Linda Zhu.

Vancouver, Canada,
April 3, 2020

Mao & Ying LLP

Chartered Professional Accountants

SEARCH MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at November 30, 2019 and 2018
(Expressed in Canadian dollars)

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash		228,101	63,848
Receivables	6	96,633	37,092
Prepaid expenses and other assets		53,800	3,694
		<u>378,534</u>	104,634
Non-current assets			
Equipment		35,680	11,720
Reclamation deposits		50,000	50,000
Staking deposits		27,450	450
Exploration and evaluation expenditures (Schedule 1)	7	12,743,782	11,784,940
		<u>13,235,446</u>	11,951,744
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Current liabilities			
Trade payables	8	632,320	621,501
Due to related parties	8, 12	778,496	538,083
Convertible debentures	9	850,000	772,727
Promissory note payable	10	161,695	-
		<u>2,422,511</u>	1,932,311
Non-current liabilities			
Due to related parties	8, 12	53,000	75,000
		<u>2,475,511</u>	2,007,311
Equity attributable to shareholders			
Share capital	11	24,744,906	23,636,259
Subscriptions received in advance	17	50,000	-
Warrants		598,141	175,923
Contributed surplus		3,678,784	3,400,900
Equity component of convertible debentures	9	-	160,635
Deficit		(18,311,896)	(17,429,284)
		<u>10,759,935</u>	9,944,433
		<u>13,235,446</u>	11,951,744

Nature of Operations (Note 1)
Going Concern (Note 2)
Commitment (Note 16)
Subsequent events (Notes 17)

Approved by the Board of Directors on April 3, 2020

"Jocelyn Bennett" Director
Jocelyn Bennett

"Leo Power" Director
Leo Power

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

SEARCH MINERALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended November 30, 2019 and 2018
(Expressed in Canadian dollars)

	Notes	2019 \$	2018 \$
GENERAL AND ADMINISTRATIVE EXPENSES			
Accounting and audit		67,208	75,544
Administration and management fees	12	264,671	238,592
Amortization		10,040	6,335
Consulting fees		13,817	8,330
Legal fees		28,377	71,114
Non-executive directors fees	12	54,000	57,000
Office and miscellaneous		55,809	57,950
Regulatory and transfer agent fees		35,432	42,165
Rent		18,219	18,119
Share-based compensation – stock options	11(c)	117,249	271,627
Shareholder communications		26,383	18,439
Travel and accommodation		41,780	26,767
Loss for the year before other items		(732,985)	(891,982)
Other income (expense) items			
Flow-through premium income	11(b)	10,000	38,000
Amortization of transaction costs	10	(1,521)	(39,679)
Accretion expense	9	(77,273)	(33,271)
Interest expense	9,10	(124,833)	(84,352)
Forbearance fee	9	-	(50,000)
Loss on debt refinancing	9	-	(83,362)
Gain on debt settlement	8	44,000	12,650
Loss for the year		(882,612)	(1,131,996)
Basic and diluted loss per share	11(e)	(0.00)	(0.01)
Weighted average number of common shares outstanding		203,132,254	165,832,819

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

SEARCH MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended November 30, 2019 and 2018
(Expressed in Canadian dollars)

	2019 \$	2018 \$
Cash (used in) provided by		
OPERATING ACTIVITIES		
Loss for the year	(882,612)	(1,131,996)
Items not affecting operating cash:		
Amortization	10,040	6,335
Share-based compensation – stock options	117,249	271,627
Flow-through premium income	(10,000)	(38,000)
Amortization of transaction costs	1,521	39,679
Accretion expense	77,273	33,271
Forbearance fee	-	50,000
Loss on debt refinancing	-	83,362
Gain on debt settlement	-	(12,650)
	<u>(686,529)</u>	<u>(698,372)</u>
Changes in non-cash working capital items:		
Taxes recoverable	6,056	45,487
Prepaid expenses and other assets	(50,106)	30,266
Accounts payable and accrued liabilities	115,847	156,509
	<u>(614,732)</u>	<u>(466,110)</u>
INVESTING ACTIVITIES		
Mineral property costs, net	(1,371,927)	(1,056,540)
Purchase of equipment	(34,000)	(2,457)
Staking deposits, net of recoveries	(27,000)	-
	<u>(1,432,927)</u>	<u>(1,058,997)</u>
FINANCING ACTIVITIES		
Issuance of common shares	1,466,055	888,818
Subscriptions received in advance	50,000	-
Share issuance costs	(36,766)	(56,343)
Proceeds on issuance of promissory note	200,000	-
Proceeds on issuance of demand loan	350,000	550,000
Repayment of demand loans	(350,000)	(120,750)
Transaction costs	-	(50,000)
Government assistance	532,623	83,722
	<u>2,211,912</u>	<u>1,295,447</u>
Increase (decrease) in cash during the year	164,253	(229,660)
Cash, beginning of the year	63,848	293,508
Cash, end of the year	<u>228,101</u>	<u>63,848</u>
Cash paid for interest	63,750	85,682
Cash paid for income taxes	-	-

Non-cash Transactions (Note 15)

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

SEARCH MINERALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended November 30, 2019 and 2018
(Expressed in Canadian dollars)

	Number of Shares #	Share Capital \$	Share proceeds received in advance \$	Warrants \$	Contributed Surplus \$	Equity Component of Convertible Debenture \$	Deficit \$	Total \$
Balance, November 30, 2017	155,292,857	22,817,707	-	36,665	3,048,630	43,978	(16,297,288)	9,649,692
Issued during the year:								
For cash pursuant to Rights Offering	15,609,285	624,371	-	-	-	-	-	624,371
For cash pursuant to private placement of units	4,887,536	195,502	-	48,875	-	-	-	244,377
For cash pursuant to private placement of flow-through shares and units	3,800,000	190,000	-	30,000	-	-	-	220,000
Transfer to flow-through premium liability	-	(38,000)	-	-	-	-	-	(38,000)
Less: Issue costs – compensation warrants	-	(97,048)	-	97,048	-	-	-	-
Less: Issue costs – cash	-	(56,343)	-	-	-	-	-	(56,343)
For cash pursuant to the exercise of warrants	1,000	70	-	-	-	-	-	70
Share-based payments	-	-	-	-	271,627	-	-	271,627
Transfer on expiration of conversion feature	-	-	-	-	43,978	(43,978)	-	-
Issuance of convertible debentures	-	-	-	-	-	160,635	-	160,635
Transfer on expiry of warrants	-	-	-	(36,665)	36,665	-	-	-
Comprehensive loss for the year	-	-	-	-	-	-	(1,131,996)	(1,131,996)
Balance, November 30, 2018	179,590,678	23,636,259	-	175,923	3,400,900	160,635	(17,429,284)	9,944,433
Issued during the year:								
For cash pursuant to Rights Offering	45,535,170	993,663	-	372,392	-	-	-	1,366,055
Less: Issue costs – cash	-	(36,052)	-	-	-	-	-	(36,052)
For cash pursuant to private placement of flow-through units	2,000,000	90,000	-	10,000	-	-	-	100,000
Transfer to flow-through premium liability	-	(10,000)	-	-	-	-	-	(10,000)
Less: Issue costs – cash	-	(714)	-	-	-	-	-	(714)
Share-based payments	-	-	-	-	117,249	-	-	117,249
Share proceeds received in advance	-	-	50,000	-	-	-	-	50,000
Shares for debt-settlement	1,600,000	69,000	-	-	-	-	-	69,000
Transfer on expiration of conversion feature	-	-	-	-	160,635	(160,635)	-	-
Issuance of shares pursuant to agreement	50,000	2,750	-	-	-	-	-	2,750
Issuance of warrants	-	-	-	39,826	-	-	-	39,826
Comprehensive loss for the year	-	-	-	-	-	-	(882,612)	(882,612)
Balance, November 30, 2019	228,775,848	24,744,906	50,000	598,141	3,678,784	-	(18,311,896)	10,759,935

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

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2019 and 2018

(Expressed in Canadian dollars)

1. Nature of Operations

Search Minerals Inc. (the "Company") was incorporated under the provisions of the Business Corporation Act (British Columbia) on June 7, 2006. On May 3, 2007, the Company commenced trading on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SMY.V". The Company is in the business of mineral exploration involving acquiring, exploring and evaluating mineral resource properties. At November 30, 2019, the Company was in the exploration and evaluation stage and had properties located in Canada. The Company's corporate head office is located at 108, 901 West 3rd Street, North Vancouver, British Columbia, Canada.

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

2. Going Concern

These 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, 2019, the Company had not yet achieved profitable operations, had a working capital deficiency of \$2,043,977, had an accumulated deficit of \$18,311,896 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 consolidated financial statements, including comparatives have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments recorded at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting. The policies applied in these consolidated financial statements are based on IFRS in effect as of November 30, 2019.

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

These consolidated financial statements were approved by the Board of Directors on April 3, 2020.

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Changes in accounting policies – IFRS 9

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of December 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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The following is the Company's new accounting policy for financial instruments under IFRS 9:

Financial assets and liabilities

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

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

Financial assets/ liabilities	Original Classification IAS 39	New classification IFRS 9
Cash and cash equivalents	Loans and receivables	Financial asset at amortized cost
Trade payables	Non-derivative financial liabilities	Financial liability at amortized cost
Due to related parties	Non-derivative financial liabilities	Financial liability at amortized cost
Promissory note payable	Non-derivative financial liabilities	Financial liability at amortized cost
Convertible debenture	Non-derivative financial liabilities	Financial liability at amortized cost

The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on December 1, 2018.

b) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

d) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on

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derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss) or are recycled to (loss) income.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of the subsidiaries are as follows:

	Incorporated in	Percentage owned	
		November 30, 2019	November 30, 2018
Alterra Resources Inc.	Canada	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks and all investments that are highly liquid in nature and are redeemable for cash within three months or less, at acquisition. As at November 30, 2019 and 2018, the Company did not have cash equivalents.

Equipment and amortization

The Company records its acquisition of equipment at cost. The Company provides for amortization, once the assets are in use, over their estimated useful lives on the declining balance method at a rate of 30% per year for vehicles, 20% per year for buildings, 20% to 55% per year for office furniture and equipment and 40% per year for field equipment.

Exploration and evaluation expenditure

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties within exploration and evaluation expenditures, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in income or loss.

Decommissioning and restoration provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the legal or constructive obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value. These costs are charged against income or loss over the economic life of the related asset, through amortization using the unit-of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in income or loss.

Decommissioning costs are also adjusted for changes in estimates or changes in applicable discount rates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in income or loss.

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

As of November 30, 2019 and 2018, the Company does not have material decommissioning costs.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity. Expired warrants are reclassified to contributed surplus.

The Company has adopted a residual method with respect to the measurement of shares and warrants issued as units. The residual method first allocates fair value to the component with the best evidence of fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued was determined to be the component with the best evidence of fair value. The balance, if any, was allocated to the attached warrants.

Income taxes

Income tax on the income or loss for the periods presented comprises current and deferred tax. Income tax is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable incomes will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Search Minerals Inc.

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Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

Foreign currencies

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars. The functional currency of Search Minerals Inc. and Alterra Resources Inc. is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of operations.

Share-based payments

The fair value of all stock options granted is recorded as a charge to operations with a credit to contributed surplus. The fair value of the stock options is recorded to share-based payments expense over the vesting period. Stock options granted are measured at their fair value on the grant date. Warrants issued to brokers are measured at their fair value on the grant date and are recognized as a deduction from equity and credited to contributed surplus. The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model.

Any consideration received on the exercise of stock options or warrants together with the related portion of contributed surplus is credited to share capital.

Research and development costs

All research and development costs are expensed when incurred unless they meet specific criteria for deferral and amortization. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project.

Government assistance

The Company receives assistance from the government as part of the exploration and evaluation of mineral assets. The Company records government assistance as a reduction in exploration and evaluation assets.

4. Accounting Standards Issued But Not Yet Effective

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

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

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

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5. Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates.

Critical accounting judgements:

- (i) The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year. The factors considered by management are disclosed in Note 2.
- (ii) Management assesses capitalized exploration and evaluation costs for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment. The determination of whether an impairment has occurred requires highly subjective assumptions.

The Company has no critical accounting estimates.

6. Receivables

	November 30, 2019 \$	November 30, 2018 \$
GST receivable	30,884	37,092
Government assistance ⁽¹⁾	65,749	-
Total receivables	96,633	37,092

⁽¹⁾ The Government of Newfoundland (Innovate NL) and the Atlantic Canada Opportunities Agency ("ACOA") have certain programs available to assist junior resource companies. The amounts provided by ACOA are repayable on project success, while the amounts provided by the Government of Newfoundland are not repayable.

7. Mineral Properties – Schedule 1

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

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

Critical Rare Earth Element ("CREE") District, Labrador

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

B 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 ("B and A Claims"). The B and A claims host the Company's Foxtrot Project.

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in the B 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.

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Quinlan Property

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

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

The Vendors were granted a 1.5% net smelter return royalty ("NSR"). The Company may, at any time, purchase 1% of the net smelter return royalty for \$1,000,000. The Company must make annual cash advance payments of \$10,000 for the Quinlan Property to the Vendors commencing February 23, 2016 and continuing each year thereafter until commencement of commercial production, deductible against the NSR. During the year ended November 30, 2018, the Company paid the third \$10,000 annual cash payment. On February 1, 2019, the Company paid the fourth \$10,000 annual cash payment.

Red Wine Property, Labrador

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

Impairment of Mineral Properties

As at November 30, 2019 and 2018, the Company determined that there were no impairment indicators for the claims located in the CREE District.

NunatuKavut Community Council

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

8. Payables

	November 30, 2019 \$	November 30, 2018 \$
Trade payables	567,748	618,008
Interest payable	64,572	3,493
Total trade payables	632,320	621,501
Due to related parties – current portion	778,496	538,083
Due to related parties – non-current portion	53,000	75,000
Total due to related parties (Note 12)	831,496	613,083
Total payables	1,463,816	1,234,584

During the year ended November 30, 2019, the Company settled \$90,750 of payables by issuing 1,150,000 common shares at the fair value of \$46,750 resulting in a gain on settlement of accounts payable of \$44,000. In addition, the Company settled \$25,000 of payables by issuing 500,000 units at the fair value of \$25,000.

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9. Convertible Debentures

	Liability Component – December 2016 \$	Liability Component - InCoR \$	Equity Components \$
Balance, November 30, 2017	120,102	427,698	43,978
Amortization of transaction costs	-	39,679	-
Accretion	648	32,623	-
Repayment	(120,750)	-	-
Transfer to contributed surplus on expiration of conversion feature	-	-	(43,978)
Refinancing of loans (Note 10)	-	350,000	-
Refinancing debentures	-	(77,273)	160,635
Balance, November 30, 2018	-	772,727	160,635
Accretion	-	77,273	-
Transfer to contributed surplus on expiration of conversion	-	-	(160,635)
Balance, November 30, 2019	-	850,000	-

InCoR Convertible Debenture

On September 7, 2017, the Company entered into an agreement with InCoR Holdings Plc, (“InCoR”) pursuant to which InCoR provided funding of \$500,000 by way of secured convertible debentures (the “InCoR Convertible Debentures”). The debentures had a maturity date of one year from the date of issuance and bear interest at a rate of 15% per annum, calculated and paid semi-annually in cash or, at InCoR’s option, payable in Units. The debentures were convertible into units of the Company at a conversion price of \$0.06 per unit. Each unit would be comprised of one common share of the Company and one common share purchase warrant with each warrant entitling the holder thereof to acquire one additional share at an exercise price of \$0.07 per share for five years from the date of conversion. 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 was \$500,000.

If InCoR did not elected to convert the entire amount of principal and accrued interest into units at the end of the initial twelve month term, the Company had the right to extend the maturity dates by one period of six months by paying a forbearance fee of \$50,000.

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

Subsequent to the completion of the convertible debentures, InCoR appointed two members to the Board of Directors of the Company.

On September 28, 2018, the First Debentures matured and were not converted. InCoR agreed to forbear taking any action under the First Debentures or the related security agreements up to October 27, 2018. On October 27, 2018, the Second Debentures matured and were not converted. InCoR agreed to forbear taking any action under the First and Second Debentures or the related security agreements up to November 30, 2018. As consideration for the forbearances, the Company paid InCoR forbearance fees totaling \$50,000. The forbearance agreements were accounted for as debt modifications, with the forbearance fees being expensed immediately to the statement of operations and comprehensive loss.

On November 30, 2018, the Company refinanced the \$500,000 first and second debentures and \$350,000 of loans (Note 10) by issuing a \$850,000 secured convertible debenture (the “Third Debenture”). The Third Debenture had a maturity date of November 30, 2019 and bears interest at 15% per annum, calculated and paid semi-annually in cash or in common shares at InCoR’s option. The Third Debenture is convertible into units of the Company at a conversion price of \$0.05 per unit. Each unit will be comprised of one common share and one common share purchase warrant with each warrant entitling the holder to acquire one additional common share at an exercise price of \$0.06 per common share for five years from the date of conversion.

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

On November 1, 2019, the Company and InCoR agreed to extend the maturity date of the Third Debenture to November 30, 2020, subject to TSX-V approval. Subsequent to November 30, 2019, the extension of the Third Debentures closed and the Third Debentures were refinanced (Note 17).

During the year ended November 30, 2019, the Company recorded interest expense of \$124,006 (2018 - \$77,424), accretion expense of \$77,273 (2018 - \$32,623) and amortization of transaction costs of \$nil (2018 - \$39,679) on the debentures.

10. Loans

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

In October and November 2018, the Company received an aggregate of \$350,000 in non-interest bearing, due on demand loans from InCoR secured against all assets of the Company. On November 30, 2018, the loans were refinanced as part of a secured convertible debenture (Note 9).

During the year ended November 30, 2019, the Company received an aggregate of \$350,000 in non-interest bearing, due on demand loans from InCoR secured against all assets of the Company. During the year, the balance of \$350,000 was repaid in cash.

On November 15, 2019, the Company received a promissory note in the amount of \$200,000 from an arms' length party. The promissory note matures on November 15, 2020 and bears interest at 10% per annum. Interest is payable quarterly. The Company also issued a total of 4,000,000 warrants to the promissory note holder. Each warrant is exercisable into one common share for one year at a price of \$0.05 per share. The Company recorded the warrants issued at a fair value of \$39,826 in transaction costs to be amortized throughout the term. The fair value was estimated using the Black-Scholes option pricing model with the following assumptions: share price - \$0.04; exercise price - \$0.05; risk-free interest rate - 1.69%; expected life - 1.0 years; expected volatility - 81%; and expected dividends - nil.

During the year ended November 30, 2019, the Company recorded interest expense of \$822 (2018-\$Nil) and amortization of transaction costs of \$1,521 (2018-\$nil).

11. Share Capital

a. Common shares authorized

Unlimited number of common shares

228,775,848 outstanding at November 30, 2019 (November 30, 2018: 179,590,678).

b. Financings

During the year ended November 30, 2019, the Company completed financings as follows:

i) *Flow-Through Private Placements of Units*

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

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ii) *Rights Offering of Units*

On June 17, 2019, the Company completed a Rights Offering of 45,535,170 common shares at a price of \$0.03 per common share for gross proceeds of \$1,366,055.

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 common shares that were not otherwise purchased by the Company's shareholders. As compensation for providing the Standby Guarantee, the Company granted InCoR 8,727,625 share purchase warrants. The share purchase warrants are exercisable at a price of \$0.05 per common share up to June 17, 2024. The fair value of the compensation warrants, \$372,392, was estimated using the Black-Scholes option pricing model with the following assumptions: share price - \$0.045; exercise price - \$0.05; risk-free interest rate - 1.90%; expected life - 5.0 years; expected volatility - 174%; and expected dividends - nil.

In connection with the equity financings, the Company incurred cash issue costs of \$36,766.

During the year ended November 30, 2018, the Company completed financings as follows:

i) *Rights Offering of Units*

On July 5, 2018, the Company completed a Rights Offering of 15,609,285 units at a price of \$0.04 per unit for gross proceeds of \$624,371. 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. A value of \$nil has been attributed to the warrants using the residual method.

In connection with the Rights Offering, the Company entered into a standby guarantee agreement 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 \$624,371. 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. The fair value of the compensation warrants, \$97,048, was estimated using the Black-Scholes option pricing model with the following assumptions: share price - \$0.045; exercise price - \$0.07; risk-free interest rate - 1.60%; expected life - 5.0 years; expected volatility - 100%; and expected dividends - nil.

ii) *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. A value of \$48,875 has been attributed to the warrants using the residual method.

iii) *Flow-Through Private Placements of Units*

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 November 30, 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.

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. The fair value of the flow-through premium was determined to be \$30,000 with the remaining \$150,000 being allocated to the units. A value of \$30,000 has been attributed to the warrants using the residual method. As at November 30, 2018, the Company had incurred eligible Canadian Exploration Expenditures of \$180,000. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to \$30,000.

In connection with the equity financings, the Company incurred cash issue costs of \$56,343.

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

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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 years ended November 30, 2019 and 2018 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2017	8,975,000	\$0.10	2.14
Granted	5,150,000	\$0.08	
Expired	(1,525,000)	\$0.10	
Forfeited	(100,000)	\$0.10	
Outstanding, November 30, 2018	12,500,000	\$0.09	2.00
Granted	7,550,000	\$0.08	
Expired	(2,575,000)	\$0.10	
Outstanding and exercisable, November 30, 2019	17,475,000	\$0.09	2.01

During the year ended November 30, 2019, the Company recorded share-based payment expense of \$117,249 (2018: \$271,627). The weighted average fair value of share purchase options granted during the years ended November 30, 2019 and 2018 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018
Stock price	\$0.035	\$0.080
Exercise price	\$0.080	\$0.080
Risk-free interest rate	1.80%	0.73%
Expected life	3.5 years	3.5 years
Expected volatility	90%	100%
Expected dividends	Nil	Nil

At November 30, 2019, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
5,075,000	\$0.10	June 30, 2020
4,950,000	\$0.08	August 14, 2021
7,450,000	\$0.08	February 7, 2023
<u>17,475,000</u>		

d. Warrants

Changes in share purchase warrants during the years ended November 30, 2019 and 2018 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2017	2,566,583	\$0.18	0.61
Issued	26,637,809	\$0.07	
Exercised	(1,000)	\$0.07	
Expired	(2,566,583)	\$0.18	
Balance, November 30, 2018	26,636,809	\$0.07	1.96
Issued	14,227,625	\$0.05	
Balance, November 30, 2019	40,864,434	\$0.06	1.73

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At November 30, 2019, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
15,608,285	\$0.07	July 5, 2020
7,887,536	\$0.07	July 12, 2020
1,500,000	\$0.06	January 30, 2021
3,140,988	\$0.07	July 5, 2023
8,727,625	\$0.05	June 17, 2024
4,000,000	\$0.05	November 15, 2020
40,864,434		

e. Basic and diluted loss per share

During the year ended November 30, 2019, potentially dilutive common shares totaling 58,339,434 (2018: 73,136,809) 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.

12. Related Party Transactions

During the year ended November 30, 2019 and 2018, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders of:

	2019 \$	2018 \$
Administration and management fees	260,000	235,000
Non-executive directors fees	54,000	57,000
Mineral property expenditures		
Geological consulting, salaries, wages and benefits	174,000	129,998
Metallurgical consulting	125,000	115,000
Share-based compensation	69,107	212,147
	682,107	749,145

At November 30, 2019, due to related parties of \$831,496 (November 30, 2018: \$613,083) included amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured and non-interest bearing. Amounts are due on demand or due contingent on future events. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

Key management includes the CEO, VP of Metallurgy, VP of Exploration and the directors of the Company. The compensation paid or payable to key management for services during the year ended November 30, 2019 and 2018 is as follows:

	2019 \$	2018 \$
Short-term benefits	613,000	536,998
Share-based compensation	69,107	212,147
	682,107	749,145

The InCoR loans disclosed in Notes 9 and 10 are related party transactions as InCoR appointed two directors of the Company. Other InCoR transactions are disclosed in Notes 11(b) and 17.

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13. Income Taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax expense for the years ended November 30, 2019 and 2018 is as follows:

	2019 \$	2018 \$
Statutory tax rate	27.00%	27.00%
(Loss) income for the year before income taxes	(882,612)	(1,131,996)
Expected income tax expense (recovery)	(238,000)	(305,000)
Share-based payments and other permanent differences	29,000	64,000
Effect of change in tax rate and other	61,000	(77,000)
Change in unrecognized deferred tax assets	148,000	318,000
Income tax expense	-	-

The significant components of the Company's deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same jurisdiction, as at November 30, 2019 and 2018 are as follows:

	2019 \$	2018 \$
Deferred income tax assets (liabilities)		
Non-capital and capital losses carried forward	2,744,000	2,548,000
Mineral properties	978,000	1,028,000
Other	88,000	86,000
Total unrecognized deferred income tax assets	3,810,000	3,662,000

All deferred tax assets and liabilities are estimated to be recovered after more than 12 months.

Losses that reduce future income for tax purposes expire as follows:

	\$
2027	1,000
2028	194,000
2029	349,000
2030	954,000
2031	1,562,000
2032	1,471,000
2033	1,346,000
2034	1,306,000
2035	1,000
2036	422,000
2037	887,000
2038	771,000
2039	726,000
	9,990,000

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In reference to the deferred tax asset (liability) relating to mineral properties, the Company has certain tax pools arising from its resource related expenditures that amount to approximately \$16.4 million and which are available indefinitely to shelter future income from corporate income taxes.

On December 11, 2017, the Company completed the second 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. As at November 30, 2018, the Company had incurred eligible Canadian Exploration Expenditures of \$40,000. The gross proceeds attributable to the flow-through shares of \$40,000 will not be available to the Company for future deduction from taxable income.

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. As at November 30, 2018, the Company had incurred eligible Canadian Exploration Expenditures of \$180,000. The gross proceeds attributable to the flow-through shares of \$180,000 will not be available to the Company for future deduction from taxable income.

On January 29, 2019, the Company completed a flow-through private placement of 2,000,000 units at a price of \$0.05 per flow-through unit for gross proceeds of \$100,000. As at November 30, 2019, the Company had incurred eligible Canadian Exploration Expenditures of \$100,000. The gross proceeds attributable to the flow-through shares of \$100,000 will not be available to the Company for future deduction from taxable income.

14. Financial Instruments

Management of Capital

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern in order to facilitate the development of its mineral properties and to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met; and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of share capital, contributed surplus and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and by controlling the capital expenditures program.

The mineral properties are in the exploration stage. As such, the Company is dependent on external financing to develop its properties and fund its activities. In order to carry out its planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available, and may even dispose of its interest in the mineral properties.

Management reviews its capital management approach on an ongoing basis and no changes were made to the approach during the year ended November 30, 2019. At November 30, 2019 and 2018, the Company was not subject to any externally imposed capital requirements.

Classification of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade payable, due to related parties, promissory note payable and convertible debenture. The Company's cash and cash equivalents, trade payable, due to related parties, promissory note payable and convertible debenture 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 are 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.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2019 and 2018

(Expressed in Canadian dollars)

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 (Note 2). As at November 30, 2019 and 2018, the Company had working capital as follows:

	2019	2018
	\$	\$
Current assets	378,534	104,634
Current liabilities	(2,422,511)	(1,932,311)
Working capital (deficiency)	(2,043,977)	(1,827,677)

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, 2019 and 2018, all of the Company's cash were 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, 2019, the Company had a convertible debenture bearing interest at a fixed rate of 15% per annum and a promissory note bearing interest at a fixed rate of 10% 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.

15. **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 year ended November 30, 2019 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$879,646 included in accounts payable and accrued liabilities at November 30, 2019, less expenditures included in accounts payable at November 30, 2018 of \$722,261 (net exclusion of \$157,385);
- b) the issuance by the Company of 500,000 units at the fair value of \$25,000 and 1,150,000 shares at the fair value of \$46,750 pursuant to debt settlements;
- c) government assistance of \$65,749 included in receivables at November 30, 2019;
- d) 8,727,625 warrants at the fair value of \$372,392 issued as compensation for providing a standby guarantee (Note 11(b)); and,
- e) 4,000,000 warrants at the fair value of \$39,826 issued as a transactions cost for obtaining a promissory note (Note 10).

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Notes to the Consolidated Financial Statements

November 30, 2019 and 2018

(Expressed in Canadian dollars)

During the year ended November 30, 2018 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$722,261 included in accounts payable and accrued liabilities at November 30, 2018, less expenditures included in accounts payable at November 30, 2017 of \$516,665 (net exclusion of \$205,596);
- b) 3,140,988 warrants at the fair value of \$97,048 issued as compensation for providing a standby guarantee (Note 11(b)) and,
- c) An aggregate of \$200,000 of demand loans were converted into an equity financing.

16. Commitment

Building Lease

Effective June 1, 2016, the Company entered into a lease agreement for a building to be used for storing samples, core shack, processing core and accommodations. The building is located in St. Lewis, in the Province of Newfoundland and Labrador. The monthly rent is \$7,000 per month with the lease expiring on December 31, 2022. At the end of the lease term, the Company has the option to extend the lease by five years or to purchase the property at the appraised value.

Vehicle Lease

On June 18, 2019, the Company entered into a lease agreement for a vehicle with a monthly lease payment of \$1,179 for a period of twenty-four months.

17. Subsequent Events

Flow-Through Private Placement

On January 13, 2020, the Company completed a flow-through private placement of 1,400,000 flow-through common shares at a price of \$0.05 per flow-through share for gross proceeds of \$70,000. As at November 30, 2019, the Company received \$50,000 of subscriptions in advance.

InCoR loans

Subsequent to November 30, 2019, the Company received \$150,000 from InCoR Holdings Plc. The Company agreed that the existing \$850,000 convertible debenture together with the \$150,000 would be rolled over into a new convertible debenture with a principal amount of \$1,000,000. The \$1,000,000 secured convertible debenture will expire on November 30, 2020, bears interest at 15% per annum, calculated and paid semi-annually in cash or in common shares at InCoR's option. In addition, the warrants included in units on conversion of the debenture had their price reduced from \$0.06 to \$0.05 per share. In connection with the extension, the Company paid InCoR a \$50,000 forbearance fee.

Units for debt

On January 13, 2020, the Company completed a debt settlement transaction with NunatuKavut. The Company issued 500,000 common shares of the Company to settle \$25,000 of accounts payable. In addition, the Company issued 50,000 common shares to NunatuKavut under the original terms of the Mining Exploration Activities Agreement (Note 7).

Unsecured loan

Subsequent to November 30, 2019, the Company was advanced an unsecured loan of \$100,000 from an arm's length party. The loan has a one year maturity date from the date of issuance, repayable at any time without penalty and bears interest at a rate of 10% per annum, payable quarterly.

Pursuant to the loan, the Company issued 2,000,000 bonus warrants to the lender, with each bonus warrant entitling the holder to purchase one common share of the Company for one year at a price of \$0.05 per common share. The loan and the bonus warrants are subject to TSX-V approval.

Search Minerals Inc.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the years ended November 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Critical Rare Earth Element District, Labrador \$	Red Wine, Labrador \$	Total \$
Balance November 30, 2017	10,602,926	3,600	10,606,526
Acquisition costs			
Cash	10,000	-	10,000
Staking	6,150	-	6,150
	16,150	-	16,150
Deferred exploration costs			
Assays	201,884	-	201,884
Camp and rent	122,769	-	122,769
Drilling	389,560	-	389,560
Geological consulting, salaries, wages and benefits (Note 12)	246,051	-	246,051
Geotechnical reports and surveys	4,200	-	4,200
Government contributions	(83,722)	-	(83,722)
Metallurgical consulting (Note 12)	115,000	-	115,000
Other	166,522	-	166,522
	1,162,264	-	1,162,264
Balance, November 30, 2018	11,781,340	3,600	11,784,940
Acquisition costs			
Cash	10,000	-	10,000
Staking	16,350	-	16,350
	26,350	-	26,350
Deferred exploration costs			
Assays	253,464	-	253,464
Camp and rent	140,111	-	140,111
Engineering and metallurgy	502,105	-	502,105
Geological consulting, salaries, wages and benefits (Note 12)	251,857	1,800	253,657
Geotechnical reports and surveys	127,874	-	127,874
Government contributions	(598,220)	-	(598,220)
Metallurgical consulting (Note 12)	125,000	-	125,000
Other	99,008	-	99,008
Travel and accommodation	29,493	-	29,493
	930,692	5,400	932,492
Balance, November 30, 2019	12,738,382	5,400	12,743,782