

SEARCH MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

Search Minerals Inc.

Condensed Interim Consolidated Financial Statements

Nine months ended August 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	Page
Notice of no Auditor Review	3
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	5
Condensed Interim Consolidated Statements of Cash Flows	6
Condensed Interim Consolidated Statements of Changes in Equity	7
Notes to the Condensed Interim Consolidated Financial Statements	8 – 17
Condensed Interim Consolidated Schedule of Mineral Properties	18

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

	Notes	August 31, 2020 \$	November 30, 2019 \$
ASSETS			
Current assets			
Cash		38,443	228,101
Receivables	6	60,165	96,633
Prepaid expenses and other assets		67,531	53,800
		<u>166,139</u>	<u>378,534</u>
Non-current assets			
Equipment and right of use asset		182,538	35,680
Reclamation deposits		50,000	50,000
Staking deposits		27,450	27,450
Exploration and evaluation expenditures (Schedule 1)	7	13,162,766	12,743,782
		<u>13,588,893</u>	<u>13,235,446</u>
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Current liabilities			
Trade payables	8	457,840	632,320
Due to related parties	8,14	931,384	778,496
Convertible debentures	10	1,429,538	850,000
Promissory notes	11	231,638	161,695
Lease obligations – short term	9	79,763	-
		<u>3,130,163</u>	<u>2,422,511</u>
Non-current liabilities			
Due to related parties	8,14	45,000	53,000
Line of credit	12	80,000	-
Lease obligations – long term	9	110,145	-
		<u>3,365,308</u>	<u>2,475,511</u>
Equity attributable to shareholders			
Share capital	13	24,897,103	24,744,906
Subscriptions received in advance	13	-	50,000
Warrants		615,103	598,141
Contributed surplus		3,678,784	3,678,784
Equity component of convertible debentures	10	186,914	-
Deficit		(19,154,319)	(18,311,896)
		<u>10,223,585</u>	<u>10,759,935</u>
		<u>13,588,893</u>	<u>13,235,446</u>

Nature of Operations (Note 1)

Going Concern (Note 2)

Subsequent events (Notes 6 and 16)

Approved by the Board of Directors on October 30, 2020

"Jocelyn Bennett"
Jocelyn Bennett

Director

"Leo Power"
Leo Power

Director

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

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the three and nine months ended August 31, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)

	Notes	For the three months ended		For the nine months ended	
		2020	August 31,	2020	August 31,
		\$	2019	\$	2019
		\$	\$	\$	\$
GENERAL AND ADMINISTRATIVE EXPENSES					
Accounting and audit		8,323	8,307	39,424	32,798
Administration and management fees	14	45,000	125,000	135,000	215,718
Amortization		19,395	4,038	65,977	6,002
Consulting fees		14,002	-	42,469	-
Legal fees		13,293	5,703	38,588	18,494
Non-executive directors fees	14	13,500	13,500	40,500	40,500
Office and miscellaneous		8,671	14,178	41,090	35,260
Regulatory and transfer agent fees		6,885	10,349	35,838	30,392
Rent		4,854	4,530	14,620	13,590
Share-based compensation – stock options		-	117,249	-	117,249
Shareholder communications		5,904	14,545	5,904	26,051
Travel and accommodation		730	12,583	9,668	32,145
Loss for the period before other items		(140,557)	(329,982)	(469,078)	(568,199)
Other income (expense) items					
Flow-through premium income	13(b)	-	-	-	10,000
Amortization of transaction costs	10,11	(31,072)	-	(70,238)	-
Accretion expense	10	(29,576)	(19,543)	(52,199)	(57,259)
Finance charges on leases		(5,349)	-	(16,460)	-
Interest expense	10,11	(59,124)	(32,263)	(141,437)	(95,838)
Gain on debt settlements	8	21,192	44,000	21,192	44,000
Loss on debt refinancing	10	-	-	(80,920)	-
Loss and comprehensive loss for the period		(244,486)	(337,788)	(809,140)	(667,296)
Basic and diluted loss per share	13(e)	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding		231,554,533	220,358,339	230,698,172	194,615,586

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

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended August 31, 2020 and 2019
(Unaudited – Expressed in Canadian dollars)

	2020 \$	2019 \$
Cash (used in) provided by		
OPERATING ACTIVITIES		
Loss for the period	(809,140)	(667,296)
Items not affecting operating cash:		
Amortization	65,977	6,002
Share-based compensation – stock options	-	117,249
Flow-through premium income	-	(10,000)
Amortization of transaction costs	70,238	-
Accretion expense	52,199	57,259
Gain on debt settlements	(21,192)	-
Loss on debt refinancing	80,920	-
	<u>(560,998)</u>	<u>(496,786)</u>
Changes in non-cash working capital items:		
Taxes recoverable	(8,518)	(7,348)
Prepaid expenses and other assets	(13,731)	(55,785)
Accounts payable and accrued liabilities	104,193	(14,038)
	<u>(479,054)</u>	<u>(573,957)</u>
INVESTING ACTIVITIES		
Mineral property costs, net	(604,014)	(1,124,257)
Purchase of equipment	-	(37,750)
Staking deposits	-	(27,000)
	<u>(604,014)</u>	<u>(1,189,007)</u>
FINANCING ACTIVITIES		
Issuance of common shares	20,000	1,466,055
Share issuance costs	(750)	(36,766)
Proceeds on issuance of convertible debentures	650,000	-
Transaction costs	(50,000)	-
Proceeds from line of credit	80,000	-
Proceeds on issuance of promissory note	100,000	-
Repayment of promissory note	(50,000)	-
Proceeds on issuance of demand loans	-	350,000
Repayment of demand loans	-	(350,000)
Principal repayment of lease obligation	(56,210)	-
Government assistance	200,370	352,663
	<u>893,410</u>	<u>1,781,952</u>
Increase (decrease) in cash during the period	(189,658)	18,988
Cash, beginning of the period	<u>228,101</u>	<u>63,848</u>
Cash, end of the period	<u>38,443</u>	<u>82,836</u>
Cash paid for interest	76,250	63,750
Cash paid for income taxes	-	-

Non-cash Transactions (Note 15)

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

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended August 31, 2020 and 2019
(Unaudited - 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, 2018	179,590,678	23,636,259	-	175,923	3,400,900	160,635	(17,429,284)	9,944,433
Issued during the period:								
For cash pursuant to Rights Offering	45,535,170	1,366,055	-	-	-	-	-	1,366,055
For cash pursuant to private placement of units	2,000,000	90,000	-	10,000	-	-	-	100,000
Transfer to flow-through premium liability	-	(10,000)	-	-	-	-	-	(10,000)
Less: Issue costs – cash	-	(36,766)	-	-	-	-	-	(36,766)
Less: Issue costs – compensation warrants	-	(372,392)	-	372,392	-	-	-	-
Pursuant to mineral property agreements	500,000	25,000	-	-	-	-	-	25,000
Pursuant to debt settlements	1,150,000	46,750	-	-	-	-	-	46,750
Share-based payments	-	-	-	-	117,249	-	-	117,249
Comprehensive loss for the period	-	-	-	-	-	-	(667,296)	(667,296)
Balance, August 31, 2019	228,775,848	24,744,906	-	558,315	3,518,149	160,635	(18,096,580)	10,885,425
Issued during the period:								
Issuance of warrants	-	-	-	39,826	-	-	-	39,826
Share proceeds received in advance	-	-	50,000	-	-	-	-	50,000
Transfer on expiration of conversion feature	-	-	-	-	160,635	(160,635)	-	-
Comprehensive loss for the period	-	-	-	-	-	-	(215,316)	(215,316)
Balance, November 30, 2019	228,775,848	24,744,906	50,000	598,141	3,678,784	-	(18,311,896)	10,759,935
IFRS 16 transition adjustment on December 1, 2019	-	-	-	-	-	-	(33,283)	(33,283)
Balance, November 30, 2019 (restated)	228,775,848	24,744,906	50,000	598,141	3,678,784	-	(18,345,179)	10,726,652
Issued during the period:								
For cash pursuant to flow through common shares	1,400,000	70,000	(50,000)	-	-	-	-	20,000
Less: Issue costs – cash	-	(750)	-	-	-	-	-	(750)
Pursuant to debt settlements	1,936,164	82,947	-	-	-	-	-	82,947
Equity component of convertible debenture	-	-	-	-	-	186,914	-	186,914
Issuance of warrants	-	-	-	16,962	-	-	-	16,962
Comprehensive loss for the period	-	-	-	-	-	-	(809,140)	(809,140)
Balance, August 31, 2020	232,112,012	24,897,103	-	615,103	3,678,784	186,914	(19,154,319)	10,223,585

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

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

1. Nature of Operations

Search Minerals Inc. (the "Company") was incorporated under the provisions of the Business Corporation Act (British Columbia) on June 7, 2006. On May 3, 2007, the Company commenced trading on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SMY.V". The Company is in the business of mineral exploration involving acquiring, exploring and evaluating mineral resource properties. At August 31, 2020, 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 condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

At August 31, 2020, the Company had not yet achieved profitable operations, had a working capital deficiency of \$2,964,024, had an accumulated deficit of \$19,154,319 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.

In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

3. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting.

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended November 30, 2019 except as outlined in Note 4.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended August 31, 2020
(Unaudited - Expressed in Canadian dollars)

4. New and future accounting standards and pronouncements

New accounting standards adopted during the period

IFRS 16, Leases

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of December 1, 2019. IFRS 16 replaces IAS 17 Leases ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2019 comparatives are not restated and a cumulative catch up adjustment is recorded on December 1, 2019 for any differences identified, including adjustments to the opening deficit balance.

On the date of transition, the Company recorded right-of-use assets of \$212,835 related to a house and a vehicle and the lease obligations of \$246,118. The net difference between right-of-use assets and lease liabilities on the date of transition was recognized as an accumulated deficit adjustment of \$33,283 on December 1, 2019.

The following is the Company's new accounting policy for leases under IFRS 16:

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

Future accounting standards issued but not yet effective

IAS 1 – Presentation of financial statements and IAS 8 - Accounting policies, changes in accounting estimates and errors

The amendments to these standards specify a new definition of materiality. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

These amendments to IAS 1 and IAS 8 were issued in October 2018 and will be effective for the Company, on a prospective basis, for the fiscal year beginning December 1, 2020.

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.

5. Critical Accounting Estimates and Judgements

There have been no material revisions to the nature of judgements and amount of changes in estimates reported in the company's November 30, 2019 annual financial statements, other than estimating the incremental borrowing rate inherent in the office premises lease (Note 4).

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

Leases: incremental borrowing rates

Management is required to estimate the Company's incremental borrowing rate. This rate is used to discount the future lease cash flows to determine the carrying value of the lease liability. Management estimates its incremental borrowing rate based on the risk free rate and a credit risk premium for a period commensurate with the term of the lease.

6. Receivables

	August 31, 2020 \$	November 30, 2019 \$
GST receivable	39,554	30,884
Government assistance ⁽¹⁾	20,611	65,749
Total receivables	60,165	96,633

⁽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. The Company receives support from the Junior Exploration Assistance Program with funds granted by the Province of Newfoundland and Labrador Department of Natural Resources. Subsequent to August 31, 2020, the Company received \$20,611.

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.

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.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

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. On January 31, 2020, the Company paid the fifth \$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 August 31, 2020, 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

	August 31, 2020 \$	November 30, 2019 \$
Trade payables	397,390	567,748
Interest payable	60,450	64,572
Total trade payables	457,840	632,320
Due to related parties – current portion	931,384	778,496
Due to related parties – non-current portion	45,000	53,000
Total due to related parties (Note 14)	976,384	831,496
Total payables	1,434,224	1,463,816

During the nine months ended August 31, 2020, the Company settled \$27,500 of payables by issuing 550,000 shares at the fair value of \$27,500.

On July 8, 2020, the Company completed a debt settlement transaction with InCoR. The Company issued 1,386,164 common shares of the Company at the fair value of \$0.04 per share, \$55,447, to settle \$69,309 of interest payable to InCoR as at May 31, 2020, resulting in a gain on debt settlement of \$13,862.

During the nine months ended August 31, 2020, the Company also settled \$32,330 of payables by paying cash of \$25,000, resulting in a gain on debt settlement of \$7,330.

9. Lease obligations

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.

Effective July 1, 2019, the Company entered into a lease agreement for a vehicle. The monthly lease is \$1,179 per month with the lease expiring on June 30, 2021.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

With the adoption of IFRS 16 Leases (see Note 4), the Company recognized lease obligations with regard to the leases. The terms and the outstanding balances as at August 31, 2020 and November 30, 2019 are as follows:

	August 31, 2020	November 30, 2019
	\$	\$
Right-of-use asset from field house lease repayable in monthly instalments of \$7,000 and a vehicle lease repayable in monthly instalments of \$1,179 with an interest rate of 10.99% per annum	189,908	-
Less: Current portion	(79,763)	-
Non-current portion	110,145	-

The following is a schedule of the Company's future minimum lease payments related to the field house and vehicle lease obligation:

	August 31, 2020
	\$
2020	24,538
2021	92,253
2022	84,000
2023	14,000
Total minimum lease payments	214,791
Less: imputed interest	(24,883)
Total present value of minimum lease payments	189,908
Less: Current portion	(79,763)
Non-current portion	110,145

10. Convertible Debentures

	Liability Component – June 2020	Liability Component - InCoR	Liability Component – Total	Equity Components
	\$	\$	\$	\$
Balance, November 30, 2018	-	772,727	772,727	160,635
Accretion	-	77,273	77,273	-
Transfer to contributed surplus on expiration of conversion	-	-	-	(160,635)
Balance, November 30, 2019	-	850,000	850,000	-
Proceeds	500,000	150,000	650,000	-
Accretion	6,402	45,797	52,199	-
Refinancing of debentures	-	(69,534)	(69,534)	150,454
Less: transaction costs	-	(50,000)	(50,000)	-
Amortization of transaction costs	-	33,333	33,333	-
Equity component of convertible debenture	(36,460)	-	(36,460)	36,460
Balance, August 31, 2020	469,942	959,596	1,429,538	186,914

InCoR Convertible Debenture

On November 1, 2019, the Company and InCoR Holdings Plc, ("InCoR") agreed to extend the maturity date of the Third Debenture to November 30, 2020. The 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 \$0.05 per common share for five years from the date of conversion.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended August 31, 2020
(Unaudited - Expressed in Canadian dollars)

On February 28, 2020, the extension of the Third Debentures closed and the Company received \$150,000. The Company treated the refinancing as a debt extinguishment, resulting in a loss of \$80,920 recorded to the statement of loss. The Company determined the fair value of the liability component of the Third Debenture to be \$930,466, 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 \$150,454 using the Black-Scholes pricing model with the following assumptions: share price - \$0.035; exercise price - \$0.05; risk-free interest rate - 0.69%; expected life - 0.76 year; expected volatility - 96.54%; and expected dividends - nil.

June 2020 Convertible Debenture

On June 25, 2020, the Company closed a non-brokered secured convertible debenture private placement for gross proceeds of \$500,000 with an arms' length party. The security on this debenture is pari-passu with the InCoR Third Debenture. The debenture has 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. The debenture will be convertible into units of the Company at a conversion rate price of \$0.05 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 \$0.05 per share for five years from the date of conversion. The debenture is secured by all of the Company's assets.

The Company determined the fair value of the liability component of the convertible debenture to be \$463,540, based on the net present value of future cash flows. The residual value of \$36,460 was allocated to the equity component of the convertible debenture.

During the nine months ended August 31, 2020, the Company recorded interest expense of \$121,670 (2019 - \$95,838), amortization of transaction costs of \$33,333 (2019 - \$nil) and accretion expense of \$52,199 (2019 - \$57,259) on the debentures.

11. Promissory Notes

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.

On March 16, 2020, the Company received a promissory note in the amount of \$100,000 from an arms' length party. The promissory note matures on March 16, 2021 and bears interest at 10% per annum. Interest is payable quarterly. The Company also issued a total of 2,000,000 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 \$16,962 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 - \$0.035; exercise price - \$0.05; risk-free interest rate - 0.50%; expected life - 1.0 years; expected volatility - 91%; and expected dividends - nil.

During the nine months ended August 31, 2020, the Company repaid \$50,000 of the promissory notes. As at August 31, 2020, the principal balance of the promissory notes was \$250,000.

During the nine months ended August 31, 2020, the Company recorded interest expense of \$19,767 (2019 - \$nil) and amortization of transaction costs of \$36,905 (2019 - \$nil).

12. Line of Credit

During the nine months ended August 31, 2020, the Company obtained an unsecured \$80,000 line of credit as part of the government's economic response plan to the COVID-19 pandemic. The line of credit is interest free and is eligible for 25% forgiveness if \$60,000 is fully repaid by December 31, 2022. The Company borrowed \$80,000 from the line of credit as at August 31, 2020. If not repaid in full by the maturity date, the line of credit will be converted into a loan at a fixed interest rate of 5% per annum with a maturity date of December 31, 2025.

13. Share Capital

a. Common shares authorized

Unlimited number of common shares.

232,112,012 outstanding at August 31, 2020 (November 30, 2019: 228,775,848).

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

b. Financings

During the nine months ended August 31, 2020, the Company completed the following financing:

i) *Flow-Through Private Placements of Common Shares*

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 common share for gross proceeds of \$70,000. The fair value of the flow-through premium was determined to be \$nil. As at November 30, 2019, the Company had received subscriptions of \$50,000.

In connection with the financing, the Company incurred cash issue costs of \$750.

During the nine months ended August 31, 2019, the Company completed the following financing:

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.

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 - \$0.0

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

c. Stock option plan

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company.

Changes in share purchase options during the nine months ended August 31, 2020 and the year ended November 30, 2019 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2018	12,500,000	\$0.09	2.00
Granted	7,550,000	\$0.08	
Expired	(2,575,000)	\$0.10	
Outstanding, November 30, 2019	17,475,000	\$0.09	2.01
Expired	(5,075,000)	\$0.10	
Outstanding and exercisable, August 31, 2020	12,400,000	\$0.08	1.85

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements
 For the nine months ended August 31, 2020
 (Unaudited - Expressed in Canadian dollars)

At August 31, 2020, 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
4,950,000	\$0.08	August 14, 2021
7,450,000	\$0.08	February 7, 2023
<u>12,400,000</u>		

d. Warrants

Changes in share purchase warrants during the nine months ended August 31, 2020 and the year ended November 30, 2019 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
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
Issued	2,000,000	\$0.05	
Balance, August 31, 2020	<u>42,864,434</u>	<u>\$0.06</u>	<u>2.06</u>

At August 31, 2020, 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
4,000,000	\$0.05	November 15, 2020
1,500,000	\$0.06	January 30, 2021
2,000,000	\$0.05	March 16, 2021
⁽¹⁾ 15,608,285	\$0.07	July 12, 2022
⁽¹⁾ 7,887,536	\$0.07	July 12, 2022
3,140,988	\$0.07	July 5, 2023
8,727,625	\$0.05	June 17, 2024
<u>42,864,434</u>		

⁽¹⁾ On May 8, 2020, the expiry dates of certain warrants were extended. 15,608,285 warrants were extended from July 5, 2020 to July 12, 2022. 7,887,536 warrants were extended from July 12, 2020 to July 12, 2022. The amended costs resulting from these transactions have been offset against the additional value created for the warrants.

e. Basic and diluted loss per share

During the nine months ended August 31, 2020, potentially dilutive common shares totaling 115,264,434 (2019: 88,689,434) 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.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended August 31, 2020
(Unaudited - Expressed in Canadian dollars)

14. Related Party Transactions

During the three and nine months ended August 31, 2020 and 2019, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies they owned or were significant shareholders of:

	Three months ended		Nine months ended	
	2020	August 31, 2019	2020	August 31, 2019
	\$	\$	\$	\$
Administration and management fees	45,000	125,000	135,000	215,000
Non-executive directors fees	13,500	13,500	40,500	40,500
Mineral property expenditures				
Geological consulting, salaries, wages and benefits	34,500	74,500	103,500	139,500
Metallurgical consulting	22,500	57,500	67,500	102,500
Share-based compensation	-	69,107	-	69,107
	115,500	339,607	346,500	566,607

At August 31, 2020, due to related parties of \$976,384 (November 30, 2019: \$831,496) included amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured and non-interest bearing. Amounts are due on demand or due contingent on future events. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

Key management includes the CEO, VP of Metallurgy, VP of Exploration and the directors of the Company. The compensation paid or payable to key management for services during the three and nine months ended August 31, 2020 and 2019 is as follows:

	Three months ended		Nine months ended	
	2020	August 31, 2019	2020	August 31, 2019
	\$	\$	\$	\$
Short-term benefits	115,500	270,500	346,500	497,500
Share-based compensation	-	69,107	-	69,107
	115,500	339,607	346,500	566,607

The InCoR loans disclosed in Notes 10 and 16 are related party transactions as InCoR appointed two directors of the Company.

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 nine months ended August 31, 2020 the following transactions were excluded from the statement of cash flows:

- deferred exploration expenditures of \$822,500 included in accounts payable and accrued liabilities at August 31, 2020, less expenditures included in accounts payable at November 30, 2019 of \$879,646 (net inclusion of \$57,146);
- the issuance by the Company of 500,000 shares at the fair value of \$25,000 and 50,000 shares at the fair value of \$2,500 pursuant to debt settlements;
- issuance by the Company of 1,386,164 shares at the fair value of \$55,447 pursuant to an interest settlement;
- government assistance of \$20,611 included in receivables at August 31, 2020; and,
- 2,000,000 warrants at the fair value of \$16,962 issued as a transaction cost for obtaining a promissory note.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

During the nine months ended August 31, 2019 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$614,294 included in accounts payable and accrued liabilities at August 31, 2019, less expenditures included in accounts payable at November 30, 2018 of \$722,261 (net exclusion of \$107,967);
- 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 \$68,152 included in receivables at August 31, 2019; and,
- d) 8,727,625 share purchase warrants at the fair value of \$372,392 issued as compensation for providing the Standby Guarantee.

16. Subsequent Events

Subsequent to August 31, 2020, the Company received a \$50,000 non-interest bearing due on demand loan from InCoR.

Search Minerals Inc.
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the nine months ended August 31, 2020
(Unaudited - Expressed in Canadian Dollars)

	Critical Rare Earth Element District, Labrador \$	Red Wine, Labrador \$	Total \$
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 14)	251,857	1,800	253,657
Geotechnical reports and surveys	127,874	-	127,874
Government contributions	(598,220)	-	(598,220)
Metallurgical consulting (Note 14)	125,000	-	125,000
Other	99,008	-	99,008
Travel and accommodation	29,493	-	29,493
	930,692	1,800	932,492
Balance, November 30, 2019	12,738,382	5,400	12,743,782
Acquisition costs			
Cash	10,000	-	10,000
	10,000	-	10,000
Deferred exploration costs			
Assays	47,141	-	47,141
Camp and rent	17,438	-	17,438
Engineering and metallurgy	116,247	-	116,247
Geological consulting, salaries, wages and benefits (Note 14)	168,710	-	168,710
Geotechnical reports and surveys	30,351	-	30,351
Government contributions	(155,384)	-	(155,384)
Metallurgical consulting (Note 14)	67,500	-	67,500
Other	112,542	-	112,542
Travel and accommodation	4,439	-	4,439
	408,984	-	408,984
Balance, August 31, 2020	13,157,366	5,400	13,162,766