

SEARCH MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2017 and 2016

(Expressed in Canadian dollars)

Search Minerals Inc.

Consolidated Financial Statements

Years ended November 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Page
Auditor's Report	3
Consolidated Statements of Financial Position	4
Consolidated Statements of Operations and Comprehensive Loss	5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Changes in Equity	7
Notes to the Consolidated Financial Statements	8 – 22
Consolidated Schedule of Mineral Properties	23

Mao & Ying LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of **Search Minerals Inc.**, which comprise the consolidated statements of financial position as at November 30, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Search Minerals Inc.** as at November 30, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes that the Company had not yet achieved profitable operations, had an accumulated deficit of \$16,297,288 since inception and expects to incur further losses in the development of its business. As a result, these factors along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada,
February 23, 2018

Mao & Ying LLP

Chartered Professional Accountants

SEARCH MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at November 30, 2017 and 2016
(Expressed in Canadian dollars)

	Notes	2017 \$	2016 \$
ASSETS			
Current assets			
Cash		293,508	391,412
Receivables	6	82,579	292,025
Prepaid expenses and other assets		33,960	101,485
		<u>410,047</u>	<u>784,922</u>
Non-current assets			
Equipment	8	15,598	23,155
Reclamation deposits		50,000	50,000
Staking deposits		450	450
Exploration and evaluation expenditures (Schedule 1)	9	10,606,526	9,583,928
		<u>11,082,621</u>	<u>10,442,455</u>
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Current liabilities			
Trade payables	10	466,098	297,560
Due to related parties	10, 13	321,316	31,723
Convertible debentures	11	547,800	-
Due to former directors	10, 13	-	120,000
		<u>1,335,214</u>	<u>449,283</u>
Non-current liabilities			
Due to related parties	10, 13	97,715	121,715
		<u>1,432,929</u>	<u>570,998</u>
Equity attributable to shareholders			
Share capital	12	22,817,707	22,246,691
Warrants		36,665	548,098
Contributed surplus		3,048,630	2,488,399
Equity component of convertible debentures	11	43,978	-
Deficit		<u>(16,297,288)</u>	<u>(15,411,731)</u>
		<u>9,649,692</u>	<u>9,871,457</u>
		<u>11,082,621</u>	<u>10,442,455</u>

Nature of Operations (Note 1)

Going Concern (Note 2)

Commitments (Note 17)

Subsequent events (Note 18)

Approved by the Board of Directors on February 23, 2018

"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, 2017 and 2016
(Expressed in Canadian dollars)

	Notes	2017 \$	2016 \$
GENERAL AND ADMINISTRATIVE EXPENSES			
Accounting and audit		68,075	66,168
Administration and management fees	13	359,041	278,349
Amortization		7,557	12,983
Consulting fees	13	30,300	155,073
Legal fees		46,913	46,807
Non-executive directors fees	13	63,000	54,000
Office and miscellaneous		67,010	81,648
Regulatory and transfer agent fees		24,856	30,440
Rent		22,555	22,429
Share-based compensation – stock options	12(c)	12,133	-
Shareholder communications		146,587	53,177
Travel and accommodation		47,683	50,273
Loss for the year before other items		(895,710)	(851,347)
Other income (expense) items			
Flow-through premium income	12(b)	29,000	-
Amortization of transaction costs	11	(4,821)	-
Accretion expense	11	(10,707)	-
Interest expense	11	(19,844)	-
Gain on sale of marketable securities	7		47,123
Gain on debt settlement	10	16,525	390,334
Loss for the year		(885,557)	(413,890)
Other comprehensive income for the year			
Unrealized gain on marketable securities		-	92,123
Transfer realized gain on sale of marketable securities		-	(47,123)
Comprehensive loss for the year		(885,557)	(368,890)
Basic and diluted loss per share	12(e)	(0.01)	(0.00)
Weighted average number of common shares outstanding		149,194,420	133,854,489

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, 2017 and 2016
(Expressed in Canadian dollars)

	2017 \$	2016 \$
Cash (used in) provided by		
OPERATING ACTIVITIES		
Loss for the year	(885,557)	(413,890)
Items not affecting cash:		
Amortization	7,557	12,983
Flow-through premium income	(29,000)	-
Share-based compensation – stock options	12,133	-
Amortization of transaction costs	4,821	-
Accretion expense	10,707	-
Gain on sale of marketable securities	-	(47,123)
Gain on debt settlement	(16,525)	(390,334)
	<u>(895,864)</u>	<u>(838,364)</u>
Changes in non-cash working capital items:		
Taxes recoverable	(24,941)	(16,567)
Receivables	-	400,000
Prepaid expenses and other assets	67,525	(19,059)
Accounts payable and accrued liabilities	156,121	34,180
	<u>(697,159)</u>	<u>(439,810)</u>
INVESTING ACTIVITIES		
Mineral property costs, net	(1,690,041)	(874,053)
Staking deposits, net of recoveries	-	(450)
Proceeds from the sale of marketable securities	-	197,123
	<u>(1,690,041)</u>	<u>(677,380)</u>
FINANCING ACTIVITIES		
Issuance of common shares	606,985	859,355
Share issuance costs	(16,992)	(5,026)
Issuance of convertible debentures	620,750	-
Transaction costs	(44,500)	-
Government assistance	1,123,053	247,421
	<u>2,289,296</u>	<u>1,101,750</u>
Decrease in cash during the year	(97,904)	(15,440)
Cash, beginning of the year	391,412	406,852
Cash, end of the year	<u>293,508</u>	<u>391,412</u>
Cash paid for interest	9,098	-
Cash paid for income taxes	-	-

Non-cash Transactions (Note 16)

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, 2017 and 2016
(Expressed in Canadian dollars)

	Number of Shares #	Share Capital \$	Warrants \$	Contributed Surplus \$	Equity Component of Convertible Debenture \$	AOCL \$	Deficit \$	Total \$
Balance, November 30, 2015	131,824,045	21,352,684	597,174	2,354,802	-	(45,000)	(14,997,841)	9,261,819
For cash pursuant to private placement of units	12,276,500	778,405	80,950	-	-	-	-	859,355
Less: Issue costs – cash	-	(5,026)	-	-	-	-	-	(5,026)
Pursuant to mineral property agreements	100,000	5,500	-	-	-	-	-	5,500
Pursuant to debt settlements (Note 10)	2,021,645	115,128	3,571	-	-	-	-	118,699
Transfer on expiry of warrants	-	-	(133,597)	133,597	-	-	-	-
Comprehensive loss for the year	-	-	-	-	-	45,000	(413,890)	(368,890)
Balance, November 30, 2016	146,222,190	22,246,691	548,098	2,488,399	-	-	(15,411,731)	9,871,457
For cash pursuant to private placement of units	5,133,166	425,320	36,665	-	-	-	-	461,985
Less: Issue costs – cash	-	(14,476)	-	-	-	-	-	(14,476)
For cash pursuant to private placement of flow-through shares	2,900,000	145,000	-	-	-	-	-	145,000
Transfer to flow-through premium liability	-	(29,000)	-	-	-	-	-	(29,000)
Less: Issue costs – cash	-	(2,516)	-	-	-	-	-	(2,516)
Pursuant to mineral property agreements	50,000	2,250	-	-	-	-	-	2,250
Pursuant to debt settlements (Note 10)	987,501	44,438	-	-	-	-	-	44,438
Issuance of convertible debentures	-	-	-	-	43,978	-	-	43,978
Transfer on expiry of warrants	-	-	(548,098)	548,098	-	-	-	-
Share-based payments	-	-	-	12,133	-	-	-	12,133
Comprehensive loss for the year	-	-	-	-	-	-	(885,557)	(885,557)
Balance, November 30, 2017	155,292,857	22,817,707	36,665	3,048,630	43,978	-	(16,297,288)	9,649,692

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

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(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. November 30, 2017, 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, 2017, the Company had not yet achieved profitable operations, had working capital deficiency of \$925,167, had an accumulated deficit of \$16,297,288 since inception and expects to incur further losses in the development of its business. 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 fair value through profit and loss, which are stated 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, 2017.

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

These consolidated financial statements were approved by the Board of Directors on February 23, 2018.

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

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.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

Details of the subsidiaries are as follows:

	Incorporated in	Percentage owned	
		November 30, 2017	November 30, 2016
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, 2017 and 2016, 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.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through income and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost in which case the loss is recognized in the statement of operations.

Transaction costs associated with FVTPL financial assets and available-for-sale financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized in loss for the period.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

Other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in income or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in income or loss.

Impairment

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.

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, 2017 and 2016, 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.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

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.

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.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

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 9, Financial Instruments, was issued in July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was developed in phases by the IASB. As a result there are a number of transition options and requirements in relation to earlier versions of IFRS 9 prior to the mandatory effective date of IFRS 9 in its entirety. IFRS 9 is mandatory for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election for use of fair value through other comprehensive income which results in changes in fair value not being recycled to the income statement. The Company has not adopted IFRS 9 and has not completed its assessment of the impact of this standard.

IFRS 16, Leases, was issued in January 2016 and eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset. The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. The Company has not adopted IFRS 16 and has not completed its assessment of the impact of this standard.

5. 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, 2017 \$	November 30, 2016 \$
GST receivable	82,579	57,638
Government assistance receivable ⁽¹⁾	-	234,387
Total receivables	82,579	292,025

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

- (1) The Government of Newfoundland, the Research and Development Corporation ("RDC") of Newfoundland and Labrador 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 RDC are not repayable.

7. Marketable Securities

During the year ended November 30, 2016, the Company sold 1,500,000 common shares of Quest Rare Minerals Ltd. for gross proceeds of \$197,123 and accordingly, the Company recorded a gain on sale of marketable securities of \$47,123.

At November 30, 2017 and 2016, the Company had no marketable securities.

8. Equipment

	Vehicles \$	Buildings \$	Office furniture and equipment \$	Field equipment \$	Total \$
At November 30, 2015					
Cost	93,375	10,000	38,368	205,645	347,388
Accumulated amortization	(75,986)	(6,887)	(37,331)	(191,046)	(311,250)
Net book value	17,389	3,113	1,037	14,599	36,138
Year ended November 30, 2016					
Amortization	(5,216)	(623)	(613)	(6,531)	(12,983)
At November 30, 2016	12,173	2,490	424	8,068	23,155
At November 30, 2016					
Cost	93,375	10,000	38,368	205,645	347,388
Accumulated amortization	(81,202)	(7,510)	(37,944)	(197,577)	(324,233)
Net book value	12,173	2,490	424	8,068	23,155
Year ended November 30, 2017					
Amortization	(3,652)	(498)	(180)	(3,227)	(7,557)
At November 30, 2017	8,521	1,992	244	4,841	15,598
At November 30, 2017					
Cost	93,375	10,000	38,368	205,645	347,388
Accumulated amortization	(84,854)	(8,008)	(38,124)	(200,804)	(331,790)
Net book value	8,521	1,992	243	4,842	15,598

9. Mineral Properties – Schedule 1

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

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

Port Hope Simpson REE District, Labrador

The Company acquired the Port Hope Simpson REE District primarily by staking the claims. In addition, the Company acquired the B and A Claims and the Quinlan Property.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

B and A Claims

On December 10, 2009, the Company entered into a binding letter of intent (the "LOI") with B and A Minerals Inc. ("B and A"), further defined in a Mining Option Agreement, for an option to acquire an undivided 100% interest in and to certain claims in southeast Labrador owned by B and A ("Port Hope Simpson, B and A Claims").

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in Port Hope Simpson, B and A Claims, the Company paid B and A an aggregate of \$140,000 and issuing an aggregate 1,100,000 common shares of the Company. The final payment and share issuance was made in January 2013. The Company now owns a 100% interest in the property.

The Mining Option Agreement is subject to a 3% net smelter return in favor of B and A, of which the Company can purchase 2% at any time for \$2,000,000.

Quinlan Property

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

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, 2016, the Company paid the first \$10,000 annual cash payment. During the year ended November 30, 2017, the Company paid the second \$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, 2017 and 2016, the Company determined that there were no impairment indicators for the claims located in the Port Hope Simpson REE 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.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

10. Payables

	November 30, 2017 \$	November 30, 2016 \$
Trade payables	455,352	297,560
Interest payable	10,746	-
Due to current related parties (Note 13)	419,031	153,438
Due to former related parties (Note 13)	-	120,000
Total payables	885,129	570,998
Total payables – current portion	787,414	449,283
Total payables – non-current portion	97,715	121,715

During the year ended November 30, 2017 the Company settled \$60,963 of payables by issuing 987,501 common shares at the fair value of \$44,438 resulting in a gain on settlement of accounts payable of \$16,525.

During the year ended November 30, 2016, the Company settled \$299,293 of payables by paying cash of \$41,691, issuing 2,021,645 common shares at the fair value of \$115,127 and issuing 357,143 share purchase warrants at the fair value of \$3,571 resulting in a gain on settlement of accounts payable and accrued liabilities of \$138,904. In addition, the Company settled an amount due to former related parties of \$371,430 by agreeing to pay \$120,000 resulting in a gain on settlement of accounts payable and accrued liabilities of \$251,430. During the year ended November 30, 2017, the Company paid the \$120,000.

11. Convertible Debentures

	Liability Component \$	Equity Component \$
Balance, November 30, 2016	-	-
Proceeds on issuance of December 2016 Convertible Debenture	113,230	7,520
Proceeds on issuance of InCoR Convertible Debentures	463,542	36,458
Less: transaction costs	(44,500)	-
Amortization of transaction costs	4,821	-
Accretion	10,707	-
Balance, November 30, 2017	547,800	43,978

InCoR Convertible Debenture

On September 7, 2017, the Company entered into an agreement with InCoR Holdings Plc, ("InCoR") pursuant to which InCoR agreed to provide funding of \$500,000 by way of a secured convertible debentures (the "InCoR Convertible Debentures"). The debentures have a maturity date of one year from the date of issuance (the "Maturity Date") and bear interest at a rate of 15% per annum, calculated and paid semi-annually in cash or, at InCoR's option, payable in Units. Any interest which is not paid when due shall bear interest at the same rate. The debentures and any accrued and unpaid interest are convertible into units ("Units" of the Company at a conversion price of \$0.06 per Unit at any time prior to the Maturity Date. Each Unit will be comprised of one common share of the Company and one common share purchase warrant with each warrant entitling the holder thereof to acquire one additional share at an exercise price of \$0.07 per share for five years from the date of issuance of the debentures. The debentures are secured by all of the Company's assets.

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

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

If InCoR does not elect to convert the entire amount of principal and accrued interest into Units at the end of the initial twelve month term, the Company may extend the Maturity Date by one period of six months by paying an extension fee of \$50,000 (the "Extension Fee") in cash or Units at the election of InCoR within three business days of the end of the initial twelve month term. If the Company has paid the Extension Fee in connection with the First Debenture, the Extension Fee would not be required for the Second Debenture.

In connection with the InCoR Convertible Debentures, the Company incurred legal and filing fees of \$44,500. These transaction costs are amortized over the term of the First and Second Debentures. During the year ended November 30, 2017, the Company recorded amortization of transaction costs of \$4,821.

Subsequent to the completion of InCoR Convertible Debentures, InCoR appointed two of the six directors of the Company.

December 2016 Convertible Debenture

On December 29, 2016, the Company issued an unsecured convertible debenture in the amount of \$120,750 (the "December 2016 Convertible Debenture"). The debenture bears interest at the rate of 10% per annum, calculated and paid quarterly in arrears, and matures on December 29, 2017. The debenture is convertible into units at a conversion price of \$0.07 per unit. Each unit will be comprised of one common share and one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase an additional common share of the Company at \$0.14 per common share up to one year from the date of conversion of the debenture. Subsequent to November 30, 2017, the lender of the December 2016 Convertible Debenture agreed to extend the maturity date to March 31, 2018 (Note 18).

For accounting purposes, the convertible debentures are separated into their liability and equity components. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debenture assuming an 18%-25% effective interest rate which is the estimated rate for a convertible debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.

During the year ended November 30, 2017, the Company recorded interest expense of \$19,844 and accretion expense of \$10,707.

12. Share Capital

a. Common shares authorized

Unlimited number of common shares

155,292,857 outstanding at November 30, 2017 (November 30, 2016: 146,222,190)

b. Financings

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

- i) On May 5, 2017, the Company completed the first tranche of a non-brokered private placement of 3,622,166 units at a price of \$0.09 per unit for gross proceeds of \$325,995. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.18 per common share up to July 10, 2018. A value of \$nil has been attributed to the warrants using the residual method.
- ii) On May 31, 2017, the Company completed the second tranche of a non-brokered private placement of 1,400,000 units at a price of \$0.09 per unit for gross proceeds of \$126,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.18 per common share up to July 10, 2018. A value of \$35,000 has been attributed to the warrants using the residual method.
- iii) On July 10, 2017, the Company completed the third and final tranche of a non-brokered private placement of 111,000 units at a price of \$0.09 per unit for gross proceeds of \$9,990. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.18 per common share up to July 10, 2018. A value of \$1,665 has been attributed to the warrants using the residual method.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

- iv) On November 30, 2017, the company completed the first tranche of a non-brokered private placement of 2,900,000 flow-through shares at a price of \$0.05 per share for gross proceeds of \$145,000. The fair value of the flow-through shares was determined to be \$116,000 with the remaining \$29,000 being allocated to flow-through premium liability. As at November 30, 2017, the Company had incurred eligible Canadian Exploration Expenditures of \$145,000. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to \$29,000.

The Company incurred \$11,241 of fees in connection with the private placements.

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 years ended November 30, 2017 and 2016 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2015	10,995,000	\$0.18	3.38
Expired	(1,785,000)	\$0.54	
Outstanding, November 30, 2016	9,210,000	\$0.11	2.97
Granted	600,000	\$0.10	
Expired	(835,000)	\$0.21	
Outstanding, November 30, 2017	8,975,000	\$0.10	2.14
Outstanding and exercisable, November 30, 2017	8,825,000	\$0.10	2.15

During the year ended November 30, 2017, the Company recorded share-based payment expense of \$12,133 (2016: \$nil). The weighted average fair value of share purchase options granted during the year ended November 30, 2017 of \$0.04 per option was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.085; exercise price - \$0.10; risk-free interest rate - 1.00%; expected life - 2.0 years; expected volatility - 100%; and expected dividends - nil.

At November 30, 2017, 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
1,425,000	\$0.10	April 26, 2018
100,000	\$0.07	October 29, 2018
⁽¹⁾ 600,000	\$0.10	April 18, 2019
6,850,000	\$0.10	June 30, 2020
<u>8,975,000</u>		

- (1) These options vest as to 25% on the date of grant, 25% on July 15, 2017, 25% on October 15, 2017 and 25% on April 15, 2018.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

d. Warrants

Changes in share purchase warrants during the year ended November 30, 2017 and the year ended November 30, 2016 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2015	51,098,560	\$0.11	1.03
Issued	12,633,643	\$0.14	
Expired	(4,453,232)	\$0.10	
Balance, November 30, 2016	59,278,971	\$0.12	0.46
Issued	2,566,583	\$0.18	
Expired	(59,278,971)	\$0.12	
Balance, November 30, 2017	2,566,583	\$0.18	0.61

At November 30, 2017, 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
2,566,583	\$0.18	July 10, 2018

e. Basic and diluted loss per share

During the year ended November 30, 2017, potentially dilutive common shares totaling 31,658,249 (2016: 68,488,971) 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.

13. Related Party Transactions

During the years ended November 30, 2017 and 2016, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders of:

	2017 \$	2016 \$
Administration and management fees	356,250	275,000
Consulting fees	-	90,000
Non-executive directors fees	63,000	54,000
Mineral property expenditures		
Geological consulting, salaries, wages and benefits	130,000	124,165
Metallurgical consulting	90,000	-
Rent	84,000	72,000
	723,250	615,165

At November 30, 2017, due to related parties of \$419,031 (November 30, 2016: \$153,438) included amounts owing to current directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured and non-interest bearing. Amounts are due on demand or due contingent on future events. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

Key management includes the CEO, VP of Metallurgy, VP of Exploration and the directors of the Company. The compensation paid or payable to key management for services during the years ended November 30, 2017 and 2016 is as follows:

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

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

The rental commitment disclosed in Note 17 is a related party transaction as the lease is with a company controlled by a former director of the Company.

14. 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, 2017 and 2016 is as follows:

	2017 \$	2016 \$
Statutory tax rate	26.00%	26.00%
(Loss) income for the year before income taxes	(885,557)	(413,890)
Expected income tax expense (recovery)	(230,000)	(108,000)
Share-based payments and other permanent differences	(7,000)	1,000
Effect of change in tax rate and other	(16,000)	38,000
Change in unrecognized deferred tax assets	253,000	69,000
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, 2017 and 2016 are as follows:

	2017 \$	2016 \$
Deferred income tax assets (liabilities)		
Non-capital and capital losses carried forward	2,271,000	2,022,000
Mineral properties	992,000	990,000
Other	81,000	79,000
Total unrecognized deferred income tax assets	3,344,000	3,091,000

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

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

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

	<u>\$</u>
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	955,000
	<u>8,561,000</u>

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 \$14.4 million and which are available indefinitely to shelter future income from corporate income taxes.

On November 30, 2017, the company completed the first tranche of a non-brokered private placement of 2,900,000 flow-through shares at a price of \$0.05 per share for gross proceeds of \$145,000. As at November 30, 2017, the Company had incurred eligible Canadian Exploration Expenditures of \$145,000. The gross proceeds attributable to the flow-through shares of \$145,000 will not be available to the Company for future deduction from taxable income.

15. 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, 2017. At November 30, 2017 and 2016, the Company was not subject to any externally imposed capital requirements.

Designation of Financial Instruments

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

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

Fair Value of Financial Instruments

The Company classified its fair value measures within a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 7 – Financial Instruments: Disclosures.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in market that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The Company does not have financial assets or liabilities that are measured at fair value on a recurring basis. The fair value of the Company's cash, receivables, accounts payable and accrued liabilities, due to related parties and convertible debentures are estimated to approximate their carrying values as at November 30, 2017 and 2016.

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.

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, 2017 and 2016, the Company had working capital as follows:

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

Market Risk

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

a) *Currency Risk*

As at November 30, 2017 and 2016, all of the Company's cash 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.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2017 and 2016

(Expressed in Canadian dollars)

b) *Interest Rate Risk*

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

c) *Price Risk*

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

16. 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, 2017 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$516,665 included in accounts payable and accrued liabilities at November 30, 2017, less expenditures included in accounts payable at November 30, 2016 of \$297,692 (net exclusion of \$218,973); and,
- b) the issuance by the Company of 50,000 shares at the fair value of \$2,250 pursuant to a mineral property agreement; and,
- c) the issuance by the Company of 987,501 shares at the fair value of \$44,438 pursuant to debt settlements.

During the year ended November 30, 2016 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$297,692 included in accounts payable and accrued liabilities at November 30, 2016, less expenditures included in accounts payable at November 30, 2015 of \$203,197 (net exclusion of \$94,495);
- b) government assistance of \$234,387 included in receivables at November 30, 2016;
- c) the issuance by the Company of 100,000 shares at the fair value of \$5,500 pursuant to a mineral property agreement; and,
- d) the issuance by the Company of 2,021,645 shares at the fair value of \$115,128 pursuant to debt settlements and 357,143 warrants at the fair value of \$3,571 pursuant to a debt settlement.

17. Commitment

Building Lease

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

18. Subsequent Events

Flow-through Financing

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.

Convertible Debenture Extended

The maturity date of the 2016 Convertible Debenture in the amount of \$120,750 was extended from December 31, 2017 to March 31, 2018. No penalties or fees were incurred in relation to the extension and all other terms of the 2016 Convertible Debenture remain the same.

Stock Options

On February 14, 2018, the Company granted 5,050,000 stock options to directors, officers and consultants of the Company. The stock options are exercisable at \$0.08 per share up to August 14, 2021. All options vested in full on the date of grant.

Search Minerals Inc.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the years ended November 30, 2017 and 2016
(Expressed in Canadian Dollars)

	Port Hope Simpson REE District, Labrador \$	Red Wine, Labrador \$	Total \$
Balance November 30, 2015	9,091,688	-	9,091,688
Acquisition costs			
Cash	10,000	-	10,000
Staking	125	-	125
	<u>10,125</u>	<u>-</u>	<u>10,125</u>
Deferred exploration costs			
Assay	85,093	-	85,093
Camp and rent (Note 13)	83,652	-	83,652
Engineering and metallurgy	450,290	-	450,290
Geological consulting, salaries, wages and benefits (Note 13)	181,346	-	181,346
Geotechnical reports	119,134	-	119,134
Government contributions	(567,087)	-	(567,087)
Other	129,687	-	129,687
	<u>482,115</u>	<u>-</u>	<u>482,115</u>
Balance, November 30, 2016	9,583,928	-	9,583,928
Acquisition costs			
Cash	10,000	-	10,000
Staking	-	3,600	3,600
	<u>10,000</u>	<u>3,600</u>	<u>13,600</u>
Deferred exploration costs			
Camp and rent (Note 13)	113,633	-	113,633
Drilling	200,087	-	200,087
Engineering and metallurgy	1,113,577	-	1,113,577
Geological consulting, salaries, wages and benefits (Note 13)	209,696	-	209,696
Geotechnical reports	3,850	-	3,850
Government contributions	(888,666)	-	(888,666)
Metallurgical consulting (Note 13)	90,000	-	90,000
Other	166,821	-	166,821
	<u>1,008,998</u>	<u>-</u>	<u>1,008,998</u>
Balance, November 30, 2017	10,602,926	3,600	10,606,526