

SEARCH MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

Search Minerals Inc.

Condensed Interim Consolidated Financial Statements

Six months ended May 31, 2019 and 2018

(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 – 14
Condensed Interim Consolidated Schedule of Mineral Properties	15

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

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

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

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

	Notes	May 31, 2019 \$	November 30, 2018 \$
ASSETS			
Current assets			
Cash		33,354	63,848
Receivables	5	121,348	37,092
Prepaid expenses and other assets		21,912	3,694
		<u>176,614</u>	<u>104,634</u>
Non-current assets			
Equipment		9,756	11,720
Reclamation deposits		50,000	50,000
Staking deposits		450	450
Exploration and evaluation expenditures (Schedule 1)	6	12,172,744	11,784,940
		<u>12,409,564</u>	<u>11,951,744</u>
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Current liabilities			
Trade payables	7	857,547	621,501
Due to related parties	7, 11	664,613	538,083
Demand loans	9	350,000	-
Convertible debentures	8	810,443	772,727
		<u>2,608,603</u>	<u>1,932,311</u>
Non-current liabilities			
Due to related parties	7, 11	69,000	75,000
		<u>2,677,603</u>	<u>2,007,311</u>
Equity attributable to shareholders			
Share capital	10	23,743,295	23,636,259
Warrants		185,923	175,923
Contributed surplus		3,400,900	3,400,900
Equity component of convertible debentures	8	160,635	160,635
Deficit		(17,758,792)	(17,429,284)
		<u>9,731,961</u>	<u>9,944,433</u>
		<u>12,409,564</u>	<u>11,951,744</u>

Nature of Operations (Note 1)

Going Concern (Note 2)

Commitment (Note 13)

Subsequent events (Notes 9 and 14)

Approved by the Board of Directors on July 30, 2019

"Jocelyn Bennett" Director
Jocelyn Bennett

"Leo Power" Director
Leo Power

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

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the three and six months ended May 31, 2019 and 2018
(Unaudited - Expressed in Canadian dollars)

	Notes	For the three months ended		For the six months ended	
		2019	May 31, 2018	2019	May 31, 2018
		\$	\$	\$	\$
GENERAL AND ADMINISTRATIVE EXPENSES					
Accounting and audit		11,857	10,483	24,491	25,787
Administration and management fees	11	45,718	47,042	90,718	147,242
Amortization		982	1,583	1,964	3,167
Legal fees		7,835	57,793	12,791	81,897
Non-executive directors fees	11	13,500	13,500	27,000	30,000
Office and miscellaneous		12,121	11,664	21,082	24,520
Regulatory and transfer agent fees		3,902	12,291	20,043	29,446
Rent		4,530	4,530	9,060	9,060
Share-based compensation – stock options	10(c)	-	5,265	-	271,627
Shareholder communications		11,506	9,776	11,506	10,176
Travel and accommodation		15,836	3,011	19,562	4,466
Loss for the period before other items		(127,787)	(176,938)	(238,217)	(637,388)
Other income (expense) items					
Flow-through premium income	10(b)	-	-	10,000	8,000
Amortization of transaction costs	8	-	(11,125)	-	(22,250)
Accretion expense	8	(19,083)	(9,090)	(37,716)	(18,660)
Interest expense	8	(32,137)	(21,962)	(63,575)	(43,474)
Loss and comprehensive loss for the period		(179,007)	(219,115)	(329,508)	(713,772)
Basic and diluted loss per share	10(e)	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding		182,140,678	156,092,857	181,602,766	156,048,901

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

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended May 31, 2019 and 2018
(Unaudited – Expressed in Canadian dollars)

	2019 \$	2018 \$
Cash (used in) provided by		
OPERATING ACTIVITIES		
Loss for the period	(329,508)	(713,772)
Items not affecting cash:		
Amortization	1,964	3,167
Share-based compensation – stock options	-	271,627
Amortization of transaction costs	-	18,660
Accretion expense	37,716	22,250
Flow-through premium income	(10,000)	(8,000)
	<u>(299,828)</u>	<u>(406,068)</u>
Changes in non-cash working capital items:		
Taxes recoverable	3,185	72,364
Prepaid expenses and other assets	(18,218)	26,619
Accounts payable and accrued liabilities	73,016	171,814
	<u>(241,845)</u>	<u>(135,271)</u>
INVESTING ACTIVITIES		
Mineral property costs, net	(508,623)	(334,315)
Purchase of equipment	-	(2,457)
	<u>(508,623)</u>	<u>(336,772)</u>
FINANCING ACTIVITIES		
Issuance of common shares	100,000	40,000
Share issuance costs	(714)	-
Issuance of demand loans	350,000	100,000
Government assistance	270,688	83,722
	<u>719,974</u>	<u>223,722</u>
Decrease in cash during the period	(30,494)	(248,321)
Cash, beginning of the period	63,848	293,508
Cash, end of the period	<u>33,354</u>	<u>45,187</u>
Cash paid for interest	-	7,023
Cash paid for income taxes	-	-

Non-cash Transactions (Note 12)

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

SEARCH MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six months ended May 31, 2019 and 2018
(Unaudited - Expressed in Canadian dollars)

	Number of Shares #	Share Capital \$	Warrants \$	Contributed Surplus \$	Equity Component of Convertible Debenture \$	Deficit \$	Total \$
Balance, November 30, 2017	155,292,857	22,817,707	36,665	3,048,630	43,978	(16,297,288)	9,649,692
Issued during the period:							
For cash pursuant to private placement of flow-through shares	800,000	40,000	-	-	-	-	40,000
Transfer to flow-through premium liability	-	(8,000)	-	-	-	-	(8,000)
Share-based payments	-	-	-	271,627	-	-	271,627
Transfer on expiration of conversion feature	-	-	-	7,520	(7,520)	-	-
Comprehensive loss for the period	-	-	-	-	-	(713,772)	(713,772)
Balance, May 31, 2018	156,092,857	22,849,707	36,665	3,327,777	36,458	(17,011,060)	9,239,547
Issued during the period:							
For cash pursuant to Rights Offering	15,609,285	624,371	-	-	-	-	624,371
For cash pursuant to private placement of units	4,887,536	195,502	48,875	-	-	-	244,377
For cash pursuant to private placement of flow-through shares and units	3,000,000	150,000	30,000	-	-	-	180,000
Transfer to flow-through premium liability	-	(30,000)	-	-	-	-	(30,000)
Less: Issue costs – compensation warrants	-	(97,048)	97,048	-	-	-	-
Less: Issue costs – cash	-	(56,343)	-	-	-	-	(56,343)
For cash pursuant to the exercise of warrants	1,000	70	-	-	-	-	70
Transfer on expiration of conversion feature	-	-	-	36,458	(36,458)	-	-
Issuance of convertible debentures	-	-	-	-	160,635	-	160,635
Transfer on expiry of warrants	-	-	(36,665)	36,665	-	-	-
Comprehensive loss for the period	-	-	-	-	-	(418,224)	(418,224)
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 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	-	(714)	-	-	-	-	(714)
Pursuant to mineral property agreements	500,000	25,000	-	-	-	-	25,000
Pursuant to debt settlements	50,000	2,750	-	-	-	-	2,750
Comprehensive loss for the period	-	-	-	-	-	(329,508)	(329,508)
Balance, May 31, 2019	182,140,678	23,743,295	185,923	3,400,900	160,635	(17,758,792)	9,731,961

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

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2019

(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 May 31, 2019, the Company was in the exploration and evaluation stage and had properties located in Canada. The Company's corporate head office is located at 108, 901 West 3rd Street, North Vancouver, British Columbia, Canada.

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

2. Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

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

At May 31, 2019, the Company had not yet achieved profitable operations, had a working capital deficiency of \$2,431,989, had an accumulated deficit of \$17,758,792 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. Subsequent to May 31, 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 (Note 14).

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, 2018 except as outlined in Note 4.

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

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

4. Adoption of New Accounting Standards and Accounting Standards Issued But Not Yet Effective

IFRS 9, Financial Instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on December 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 is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

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

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

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

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

5. Receivables

	May 31, 2019	November 30, 2018
	\$	\$
GST receivable	33,907	37,092
Government assistance	87,441	-
Total receivables	121,348	37,092

6. Mineral Properties – Schedule 1

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

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

Port Hope Simpson REE District, Labrador

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

B and A Claims

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

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

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

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, 2017, the Company paid the second \$10,000 annual cash payment. During the year ended November 30, 2018, the Company paid the third \$10,000 annual cash payment. On February 1, 2019, the Company paid the fourth \$10,000 annual cash payment.

Red Wine Property, Labrador

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

Impairment of Mineral Properties

As at May 31, 2019, 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.

7. Payables

	May 31, 2019 \$	November 30, 2018 \$
Trade payables	740,478	618,008
Interest payable	67,069	3,493
Due to related parties (Note 11)	709,613	613,083
Total payables	1,517,160	1,234,584
Total payables – current portion	1,448,160	1,159,584
Total payables – non-current portion	69,000	75,000

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

8. Convertible Debentures

	Liability Component – December 2016 \$	Liability Component - InCoR \$	Equity Components \$
Balance, November 30, 2017	120,102	427,698	43,978
Amortization of transaction costs	-	39,679	-
Accretion	648	32,623	-
Repayment	(120,750)	-	-
Transfer to contributed surplus on expiration of conversion feature	-	-	(43,978)
Refinancing of loans (Note 9)	-	350,000	-
Refinancing debentures	-	(77,273)	160,635
Balance, November 30, 2018	-	772,727	160,635
Accretion	-	37,716	-
Balance, May 31, 2019	-	810,443	160,635

InCoR Convertible Debenture

On November 30, 2018, the Company refinanced the \$500,000 first and second debentures and \$350,000 of Loans (Note 9) by issuing a \$850,000 secured convertible debenture to InCoR Holdings Plc (“InCoR”) (the “Third Debenture”). The Third Debenture matures on November 30, 2019 and bears interest at 15% per annum, calculated and paid semi-annually in cash or in common shares at InCoR’s option. The Third Debenture is convertible into units of the Company at a conversion price of \$0.05 per unit. Each unit will be comprised of one common share and one common share purchase warrant with each warrant entitling the holder to acquire one additional common share at an exercise price of \$0.06 per common share for five years from the date of issuance of the debenture.

During the six months ended May 31, 2019, the Company recorded interest expense of \$63,575 (2018 - \$43,474) and accretion expense of \$37,716 (2018 - \$18,660) on the debentures.

9. Loans

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

In October and November 2018, the Company received an aggregate of \$350,000 in non-interest bearing, due on demand loans secured against all assets of the Company. On November 20, 2018, the loans were refinanced as part of a secured convertible debenture (Note 8).

During the six months ended May 31, 2019, the Company received an aggregate of \$350,000 in non-interest bearing, due on demand loans secured against all assets of the Company. Subsequent to May 31, 2019, the balance of \$350,000 was repaid in cash.

The loans were provided by a company controlled by InCoR Holdings Plc. InCoR is a related party as they have two members on the Board of Directors of the Company.

10. Share Capital**a. Common shares authorized**

Unlimited number of common shares

182,140,678 outstanding at May 31, 2019 (November 30, 2018: 179,590,678).

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

b. Financings

On January 29, 2019, the Company completed a flow-through private placement of 2,000,000 flow-through units at a price of \$0.05 per flow-through unit for gross proceeds of \$100,000. Each unit is comprised of one flow-through common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.06 per common share up to January 30, 2021. The fair value of the flow-through premium was determined to be \$10,000 with the remaining \$90,000 being allocated to the units. A value of \$10,000 has been attributed to the warrants using the residual method. As at May 31, 2019, the Company had incurred eligible Canadian Exploration Expenditures of \$100,000. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to \$10,000.

c. Stock option plan

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

Changes in share purchase options during the six months ended May 31, 2019 and the year ended November 30, 2018 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2017	8,975,000	\$0.10	2.14
Granted	5,150,000	\$0.08	
Expired	(1,525,000)	\$0.10	
Forfeited	(100,000)	\$0.10	
Outstanding, November 30, 2018	12,500,000	\$0.09	2.00
Expired	(500,000)	\$0.10	
Forfeited	(1,775,000)	\$0.10	
Outstanding and exercisable, May 31, 2019	10,225,000	\$0.09	1.65

During the six months ended May 31, 2019, the Company recorded share-based payment expense of \$nil (2018: \$271,627). The weighted average fair value of share purchase options granted during the six months ended May 31, 2018 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

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

At May 31, 2019, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
5,075,000	\$0.10	June 30, 2020
5,150,000	\$0.08	August 14, 2021
10,225,000		

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

d. Warrants

Changes in share purchase warrants during the six months ended May 31, 2019 and the year ended November 30, 2018 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2017	2,566,583	\$0.18	0.61
Issued	26,637,809	\$0.07	
Exercised	(1,000)	\$0.07	
Expired	(2,566,583)	\$0.18	
Balance, November 30, 2018	26,636,809	\$0.07	1.96
Issued	1,550,000	\$0.06	
Balance, May 31, 2019	28,186,809	\$0.07	1.47

At May 31, 2019, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
15,608,285	\$0.07	July 5, 2020
7,887,536	\$0.07	July 12, 2020
3,140,988	\$0.07	July 5, 2023
1,550,000	\$0.06	January 30, 2021
<u>28,186,809</u>		

e. Basic and diluted loss per share

During the six months ended May 31, 2019, potentially dilutive common shares totaling 72,411,809 (2018: 31,833,249) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive. Potentially dilutive common shares are from exercisable share purchase options, share purchase warrants and the conversion of convertible debentures.

11. Related Party Transactions

During the three and six months ended May 31, 2019 and 2018, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders of:

	Three months ended May 31,		Six months ended May 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Administration and management fees	45,000	45,000	90,000	145,000
Non-executive directors fees	13,500	13,500	27,000	30,000
Mineral property expenditures				
Geological consulting, salaries, wages and benefits	32,500	32,500	65,000	65,000
Metallurgical consulting	22,500	22,500	45,000	70,000
Share-based compensation	-	-	-	212,147
	113,500	113,500	227,000	522,147

At May 31, 2019, due to related parties of \$709,613 (November 30, 2018: \$613,083) included amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured and non-interest bearing. Amounts are due on demand or due contingent on future events. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

Search Minerals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

Key management includes the CEO, VP of Metallurgy, VP of Exploration and the directors of the Company. The compensation paid or payable to key management for services during the three and six months ended May 31, 2019 and 2018 is as follows:

	Three months ended May 31,		Six months ended May 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term benefits	113,500	113,500	227,000	310,000
Share-based compensation	-	-	-	212,147
	113,500	113,500	227,000	522,147

The InCoR loans disclosed in Notes 8 and 9 are related party transactions as InCoR appointed two directors of the Company. Other InCoR transactions are disclosed in Note 14.

12. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the six months ended May 31, 2019 the following transactions were excluded from the statement of cash flows:

- deferred exploration expenditures of \$981,821 included in accounts payable and accrued liabilities at May 31, 2019, less expenditures included in accounts payable at November 30, 2018 of \$722,261 (net exclusion of \$259,560);
- the issuance by the Company of 500,000 units at the fair value of \$25,000 and 50,000 shares at the fair value of \$2,750 pursuant to debt settlements; and,
- government assistance of \$87,441 included in receivables at May 31, 2019.

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

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

13. Commitment

Building Lease

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

14. Subsequent Events

Rights Offering

On June 18, 2019, the Company closed 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. InCoR's total subscription was 34,008,634 common shares under the Rights Offering. 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.

Repayment of Loans

Subsequent to May 31, 2019, the Company repaid \$350,000 of loans in cash (Note 9)

Search Minerals Inc.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the six months ended May 31, 2019
(Unaudited - Expressed in Canadian Dollars)

	Port Hope Simpson REE District, Labrador \$	Red Wine, Labrador \$	Total \$
Balance November 30, 2017	10,602,926	3,600	10,606,526
Acquisition costs			
Cash	10,000	-	10,000
Staking	6,150	-	6,150
	16,150	-	16,150
Deferred exploration costs			
Assays	201,884	-	201,884
Camp and rent	122,769	-	122,769
Drilling	389,560	-	389,560
Geological consulting, salaries, wages and benefits (Note 11)	246,051	-	246,051
Geotechnical reports and surveys	4,200	-	4,200
Government contributions	(83,722)	-	(83,722)
Metallurgical consulting (Note 11)	115,000	-	115,000
Other	166,522	-	166,522
	1,162,264	-	1,162,264
Balance, November 30, 2018	11,781,340	3,600	11,784,940
Acquisition costs			
Cash	10,000	-	10,000
	10,000	-	10,000
Deferred exploration costs			
Assays	193,135	-	193,135
Camp and rent	60,004	-	60,004
Engineering and metallurgy	287,014	-	287,014
Geological consulting, salaries, wages and benefits (Note 11)	70,959	-	70,959
Geotechnical reports and surveys	6,537	-	6,537
Government contributions	(358,129)	-	(358,129)
Metallurgical consulting (Note 11)	45,000	-	45,000
Other	73,284	-	73,284
	377,804	-	377,804
Balance, May 31, 2019	12,169,144	3,600	12,172,744