

SEARCH MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2016 and 2015

(Expressed in Canadian dollars)

Search Minerals Inc.

Consolidated Financial Statements

Years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

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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, 2016 and 2015, 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, 2016 and 2015, 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 \$15,411,731 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 22, 2017

Mao & Ying LLP

Chartered Professional Accountants

SEARCH MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at November 30, 2016 and 2015
(Expressed in Canadian dollars)

	Notes	2016 \$	2015 \$
ASSETS			
Current assets			
Cash		391,412	406,852
Receivables	6	292,025	441,071
Prepaid expenses and other assets		101,485	82,426
Marketable securities	7	-	105,000
		<u>784,922</u>	<u>1,035,349</u>
Non-current assets			
Equipment	8	23,155	36,138
Reclamation deposits		50,000	50,000
Staking deposits		450	-
Exploration and evaluation expenditures (Schedule 1)	9	9,583,928	9,091,688
		<u>10,442,455</u>	<u>10,213,175</u>
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Current liabilities			
Trade payables	10	297,560	200,744
Due to related parties	10, 13	31,723	379,182
Due to former directors	10, 13	120,000	371,430
		<u>449,283</u>	<u>951,356</u>
Non-current liabilities			
Due to related parties	10, 13	121,715	-
		<u>570,998</u>	<u>951,356</u>
Equity attributable to shareholders			
Share capital	11	22,246,691	21,352,684
Warrants		548,098	597,174
Contributed surplus		2,488,399	2,354,802
Accumulated other comprehensive loss (%AOC L)		-	(45,000)
Deficit		(15,411,731)	(14,997,841)
		<u>9,871,457</u>	<u>9,261,819</u>
		<u>10,442,455</u>	<u>10,213,175</u>

Nature of Operations (Note 1)

Going Concern (Note 2)

Commitments (Note 17)

Subsequent events (Notes 6, 10 and 18)

Approved by the Board of Directors on February 22, 2017

"Jim Clucas" Director
Jim Clucas

"Jim Patterson" Director
Jim Patterson

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, 2016 and 2015
(Expressed in Canadian dollars)

	Notes	2016 \$	2015 \$
GENERAL AND ADMINISTRATIVE EXPENSES			
Accounting and audit		66,168	72,854
Administration and management fees	13	278,349	253,910
Amortization		12,983	19,049
Consulting fees	13	155,073	113,849
Legal fees		46,807	90,896
Non-executive directors fees	13	54,000	54,000
Office and miscellaneous		81,651	71,410
Regulatory and transfer agent fees		30,440	19,822
Rent		22,429	21,600
Shareholder communications		53,177	19,105
Share-based compensation - stock options	11(c)	-	245,174
Travel and accommodation		50,273	35,601
Loss for the year before other items		(851,350)	(1,017,270)
Other income (expense) items			
Interest income		3	2,169
Gain on sale of mineral property	9	-	150,000
Gain on debt settlement	10	390,334	444,102
Gain on sale of marketable securities	7	47,123	-
Proceeds on sale of technology	12	-	750,000
Write-down of mineral properties	9	-	(28,033)
(Loss) income for the year		(413,890)	300,968
Other comprehensive income (loss) for the year			
Unrealized gain (loss) on marketable securities		92,123	(45,000)
Transfer realized gain on sale of marketable securities		(47,123)	-
Comprehensive (loss) income for the year		(368,890)	255,968
Basic and diluted loss per share	11(e)	(0.00)	0.00
Weighted average number of common shares outstanding		133,854,489	119,929,076

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

SEARCH MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended November 30, 2016 and 2015
(Expressed in Canadian dollars)

	2016 \$	2015 \$
Cash (used in) provided by		
OPERATING ACTIVITIES		
(Loss) income for the year	(413,890)	300,968
Items not affecting cash:		
Amortization	12,983	19,049
Share-based compensation . stock options	-	245,174
Gain on debt settlement	(390,334)	(444,102)
Gain on sale of marketable securities	(47,123)	-
Write-down of mineral properties	-	28,033
	<u>(838,364)</u>	<u>149,122</u>
Changes in non-cash working capital items:		
Taxes recoverable	(16,567)	44,960
Receivables	400,000	(400,000)
Prepaid expenses and other assets	(19,059)	(13,182)
Accounts payable and accrued liabilities	34,180	(53,208)
	<u>(439,810)</u>	<u>(272,308)</u>
INVESTING ACTIVITIES		
Mineral property costs, net	(874,053)	(1,069,508)
Staking deposits, net of recoveries	(450)	5,440
Proceeds from the sale of marketable securities	197,123	-
	<u>(677,380)</u>	<u>(1,064,068)</u>
FINANCING ACTIVITIES		
Issuance of common shares	859,355	1,019,200
Share issuance costs	(5,026)	(6,988)
Government assistance	247,421	136,895
	<u>1,101,750</u>	<u>1,149,107</u>
Decrease in cash during the year	(15,440)	(187,269)
Cash, beginning of the year	406,852	594,121
Cash, end of the year	<u>391,412</u>	<u>406,852</u>
Cash paid for interest	-	-
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, 2016 and 2015
(Expressed in Canadian dollars)

	Number of Shares #	Share Capital \$	Warrants \$	Contributed Surplus \$	AOCL \$	Deficit \$	Total \$
Balance, November 30, 2014	115,620,711	20,479,239	583,157	1,982,628	-	(15,298,809)	7,746,215
For cash pursuant to private placement of units	16,153,334	878,183	141,017	-	-	-	1,019,200
Less: Issue costs . cash	-	(6,988)	-	-	-	-	(6,988)
Pursuant to mineral property agreements	50,000	2,250	-	-	-	-	2,250
Transfer on expiry of warrants	-	-	(127,000)	127,000	-	-	-
Share-based payments	-	-	-	245,174	-	-	245,174
Comprehensive income for the year	-	-	-	-	(45,000)	300,968	255,968
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

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

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2016 and 2015

(Expressed in Canadian dollars)

1. Nature of Operations

Search Minerals Inc. (the "Company") was incorporated under the provisions of the Business Corporation Act (British Columbia) on June 7, 2006. On May 3, 2007, the Company commenced trading on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SMY.V". The Company is in the business of mineral exploration involving acquiring, exploring and evaluating mineral resource properties. At November 30, 2016, the Company was in the exploration and evaluation stage and had properties located in Canada. The Company's corporate head office is located at 211, 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, 2016, the Company had not yet achieved profitable operations, had working capital of \$335,639, had an accumulated deficit of \$15,411,731 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 November 30, 2016, the Company received gross proceeds of \$120,750 from the issuance of a convertible debenture (Note 18).

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, 2016.

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

These consolidated financial statements were approved by the Board of Directors on February 22, 2017.

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, 2016 and 2015
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Details of the subsidiaries are as follows:

	Incorporated in	Percentage owned	
		November 30, 2016	November 30, 2015
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, 2016 and 2015, the Company did not have cash equivalent.

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, 2016 and 2015

(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, 2016 and 2015, 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.

Search Minerals Inc.

Notes to the Consolidated Financial Statements

November 30, 2016 and 2015

(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 vesting 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, 2016 and 2015

(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.

Search Minerals Inc.

Notes to the Consolidated Financial Statements
November 30, 2016 and 2015
(Expressed in Canadian dollars)

6. Receivables

	November 30, 2016 \$	November 30, 2015 \$
GST receivable	57,638	41,071
Government assistance receivable ⁽¹⁾	234,387	-
Sale of SALT proceeds receivable (Note 12)	-	400,000
Total receivables	292,025	441,071

⁽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. Subsequent to November 30, 2016, the Company received \$234,387 of government assistance for pilot plant expenditures incurred prior to November 30, 2016.

7. Marketable Securities

During the year ended November 30, 2015, the Company received 1,500,000 common shares of Quest Rare Minerals Ltd. (%Quest+) at the fair value of \$150,000 pursuant to the sale of a mineral property (Note 9). The shares have been classified as available-for-sale financial instruments and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive loss.

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

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

8. Equipment

	Vehicles \$	Buildings \$	Office furniture and equipment \$	Field equipment \$	Total \$
At November 30, 2014					
Cost	93,375	10,000	38,368	205,645	347,388
Accumulated amortization	(68,533)	(6,109)	(36,246)	(181,313)	(292,201)
Net book value	24,842	3,891	2,122	24,332	55,187
Year ended November 30, 2015					
Amortization	(7,453)	(778)	(1,085)	(9,733)	(19,049)
At November 30, 2015	17,389	3,113	1,037	14,599	36,138
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

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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.

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 \$10,000 annual cash payment. Subsequent to November 30, 2016, the Company paid an additional \$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.

Strange Lake Property, Labrador

On September 16, 2015, the Company sold its 50% ownership interest in the 30 mining claims comprising the Company's Strange Lake Property to Quest Rare Minerals Ltd. (~~Quest~~). Quest already held a 50% ownership therein, and Quest is now the sole owner of the Strange Lake Property. Pursuant to the terms of the Purchase and Sale Agreement, Quest issued to the Company 1,500,000 common shares of Quest at the fair value of \$150,000 based on the trading price of Quest common shares. Accordingly, the Company recorded a gain on sale of mineral property of \$150,000 for the year ended November 30, 2015.

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Impairment of Mineral Properties

As at December 31, 2016, the Company determined that there were no impairment indicators for the claims located in the Port Hope Simpson REE District. During the year ended November 30, 2015, the Company wrote-down \$28,033 of mineral property costs. At November 30, 2015, the Company had no budgeted or planned exploration on the Red Wine Property for the next twelve months and, accordingly, wrote-down the property to \$nil.

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. During the year ended November 30, 2016, the Company issued to NunatuKavut 814,286 common shares at the fair value of \$44,786 and 357,143 warrants at the fair value of \$3,571. The agreement will continue indefinitely unless and until one or both parties elect to terminate.

10. Payables

	November 30, 2016	November 30, 2015
	\$	\$
Trade payables	297,560	200,744
Due to current related parties (Note 13)	153,438	379,182
Due to former related parties (Notes 13 and 18)	120,000	371,430
Total payables	570,998	951,356
Total payables . current portion	449,283	951,356
Total payables . non-current portion	121,715	-

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. Subsequent to November 30, 2016, the Company paid the \$120,000 (Note 18).

During the year ended November 30, 2015, the Company settled \$574,413 of payables by paying cash of \$130,311 resulting in a gain on settlement of accounts payable and accrued liabilities of \$444,102.

11. Share Capital

a. Common shares authorized

Unlimited number of common shares

146,222,190 outstanding at November 30, 2016 (2015: 131,824,045)

b. Financings

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

- i) On October 11, 2016, the Company completed the first tranche of a non-brokered private placement of 5,200,000 units at a price of \$0.07 per unit for gross proceeds of \$364,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.14 per common share up to November 14, 2017. A value of \$52,000 has been attributed to the warrants using the residual method.

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- ii) On October 27, 2016, the Company completed the second tranche of a non-brokered private placement of 5,790,000 units at a price of \$0.07 per unit for gross proceeds of \$405,300. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.14 per common share up to November 14, 2017. A value of \$28,950 has been attributed to the warrants using the residual method.
- iii) On November 14, 2016, the Company completed the third and final tranche of a non-brokered private placement of 1,286,500 units at a price of \$0.07 per unit for gross proceeds of \$90,055. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.14 per common share up to November 14, 2017. A value of \$nil has been attributed to the warrants using the residual method.

The Company incurred \$5,026 of fees in connection with the private placements.

During the year ended November 30, 2015, the Company completed financings as follows:

- i) On July 28, 2015, the Company completed a non-brokered private placement of 7,950,000 units at a price of \$0.06 per unit for gross proceeds of \$477,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to July 28, 2017. A value of \$nil has been attributed to the warrants using the residual method.
- ii) On August 17, 2015, the Company completed a non-brokered private placement of 3,203,334 units at a price of \$0.06 per unit for gross proceeds of \$192,200. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to August 17, 2017. A value of \$16,017 has been attributed to the warrants using the residual method.
- iii) On October 19, 2015, the Company completed a non-brokered private placement of 5,000,000 units at a price of \$0.07 per unit for gross proceeds of \$350,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to October 19, 2017. A value of \$125,000 has been attributed to the warrants using the residual method.

The Company incurred \$6,988 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, 2016 and 2015 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2014	5,378,500	\$0.33	2.04
Granted	6,850,000	\$0.10	
Expired	(1,023,500)	\$0.43	
Forfeited	(210,000)	\$0.14	
Outstanding, November 30, 2015	10,995,000	\$0.18	3.38
Expired	(1,785,000)	\$0.54	
Outstanding and exercisable, November 30, 2016	9,210,000	\$0.11	2.97

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At November 30, 2016, 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)145,000	\$0.26	January 19, 2017
690,000	\$0.20	October 17, 2017
1,425,000	\$0.10	April 26, 2018
100,000	\$0.07	October 29, 2018
6,850,000	\$0.10	June 30, 2020
<u>9,210,000</u>		

(1) Subsequent to November 30, 2016, these share purchase options expired unexercised.

During the year ended November 30, 2016, the Company recorded share-based payment expense of \$nil (2015: \$245,174). The weighted average fair value of share purchase options granted during the year ended November 30, 2015 of \$0.04 per option was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.06; exercise price - \$0.10; risk-free interest rate . 1.50%; expected life . 4.0 years; expected volatility . 110%; and expected dividends . nil.

Expected volatility was determined by reference to the historical volatility of the Company for the expected life of the option. All options vested on the date of grant.

d. Warrants

Changes in share purchase warrants during the years ended November 30, 2016 and 2015 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2014	60,345,232	\$0.11	1.11
Issued	16,153,328	\$0.10	
Expired	(25,400,000)	\$0.11	
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

At November 30, 2016, 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
(1)(2)4,000,000	\$0.20	January 15, 2017
(1)(2)532,000	\$0.20	January 15, 2017
(1)(2)8,300,000	\$0.10	January 15, 2017
(1)(2)5,960,000	\$0.10	January 15, 2017
(1)(2)11,700,000	\$0.10	January 15, 2017
(1)7,950,000	\$0.10	August 17, 2017
3,203,328	\$0.10	August 17, 2017
5,000,000	\$0.10	October 19, 2017
357,143	\$0.14	October 20, 2017
12,276,500	\$0.14	November 14, 2017
<u>59,278,971</u>		

(1) On August 4, 2016, the expiry dates of certain warrants were extended. 4,000,000 warrants were extended from August 8, 2016 to January 15, 2017, 532,000 warrants were extended from August 22, 2016 to January 15, 2017, 8,300,000 warrants were extended from August 27, 2016 to January 15, 2017, 5,960,000 warrants were extended from September 8, 2016 to January 15, 2017, 11,700,000 warrants were extended from October 9, 2016 to January 15, 2017 and 7,950,000 were

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extended from July 28, 2017 to August 17, 2017. The amended costs resulting from these transactions have been offset against the additional value created for the warrants.

(2) Subsequent to November 30, 2016, these share purchase warrants expired unexercised.

e. Basic and diluted loss per share

During the year ended November 30, 2016, potentially dilutive common shares totaling 68,488,971 (2015: 62,093,560) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive.

12. Technology Research

On November 13, 2013, the Company entered into a Purchase Agreement with InCoR Holdings Plc. a wholly-owned subsidiary, InCoR Technologies Limited (InCoR), whereby InCoR agreed to purchase the intellectual property rights to the starved acid leaching technology (SALT).

Pursuant to the Purchase Agreement, InCoR will purchase SALT for a total purchase price of \$2.2 million, comprised of the following:

- ~ \$50,000 at closing (received);
- ~ \$50,000 upon delivery of a positive economic scoping study (received);
- ~ \$100,000 upon the earlier of the completion of a positive bankable feasibility study and 18 months from the date of the Purchase Agreement (received); and,
- ~ \$2,000,000 repayable from 25 percent of the net cash flow from a commercial application of SALT.

On September 30, 2015, the Company and InCoR amended the Purchase Agreement whereby InCoR agreed to provide the Company with \$650,000 in order to fully satisfy and discharge InCoR from any further obligation under the Purchase Agreement. The payment schedule consisted of \$250,000 at closing (received), \$200,000 on December 31, 2015 (received) and \$200,000 on February 28, 2016 (received). With the final \$200,000 payment made in March 2016, InCoR has now satisfied all terms of the amended Purchase Agreement and InCoR now owns the intellectual property rights to SALT.

The Company no longer has any interest in the SALT technology.

The Company records the proceeds received from the sale of SALT as other income in the period received or when receipt has been received as a subsequent event.

13. Related Party Transactions

During the years ended November 30, 2016 and 2015, 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:

	2016	2015
	\$	\$
Administration and management fees	275,000	246,667
Consulting fees	90,000	90,000
Non-executive directors fees	54,000	54,000
Mineral property expenditures		
Geological consulting, salaries, wages and benefits	124,165	129,996
Rent	72,000	5,000
	615,165	525,663

At November 30, 2016, due to related parties of \$153,438 (2015: \$379,182) 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.

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At November 30, 2016, the Company had amounts due to former directors of \$120,000 (2015: \$371,430). On July 24, 2015, the Company announced that it has been named as a defendant in a lawsuit commenced in the Ontario Superior Court of Justice by two former officers of the Company, Stephen Keith and Alexandre Penha. Subsequent to November 30, 2016, the lawsuit was settled and the Company agreed to pay \$120,000 to the former officers (paid subsequent to November 30, 2016).

Key management includes the CEO, the 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, 2016 and 2015 is identical to the table above other than share-based payments expense. During the year ended November 30, 2016, key management received share-based payments of \$nil (2015: \$227,278). The compensation paid or payable was for short-term benefits.

The rental commitment disclosed in Note 17 is a related party transaction as the lease is with a company controlled by a 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, 2016 and 2015 is as follows:

	2016 \$	2015 \$
Statutory tax rate	<u>26.00%</u>	26.00%
(Loss) income for the year before income taxes	<u>(413,890)</u>	300,968
Expected income tax expense (recovery)	(108,000)	78,000
Share-based payments and other permanent differences	1,000	64,000
Effect of change in tax rate and other	38,000	(142,000)
Change in unrecognized deferred tax assets	69,000	-
Income tax expense	<u>-</u>	<u>-</u>

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, 2016 and 2015 are as follows:

	2016 \$	2015 \$
Deferred income tax assets (liabilities)		
Non-capital and capital losses carried forward	2,022,000	1,842,000
Mineral properties	990,000	1,099,000
Other	<u>79,000</u>	81,000
Total unrecognized deferred income tax assets	<u>3,091,000</u>	3,022,000

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

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

	\$
2027	1,000
2028	194,000
2029	349,000
2030	954,000
2031	1,562,000
2032	1,471,000
2033	1,346,000
2034	1,306,000
2035	1,000
2036	422,000
	<u>7,606,000</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 \$13.4 million and which are available indefinitely to shelter future income from corporate income taxes.

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, 2016. At November 30, 2016 and 2015, 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 due to former directors. 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 due to former directors are designated as other financial liabilities, which are measured at amortized cost.

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.

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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 due to former directors are estimated to approximate their carrying values as at November 30, 2016 and 2015.

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, 2016 and 2015, the Company had working capital as follows:

	2016 \$	2015 \$
Current assets	784,922	1,035,349
Current liabilities	(449,283)	(951,356)
Working capital	335,639	83,993

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, 2016 and 2015, all of the Company's cash were held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations. The Company has had nominal amounts of payables in US dollars.

b) *Interest Rate Risk*

The Company has no interest bearing financial instruments and as such, 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.

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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, 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.

During the year ended November 30, 2015 the following transactions were excluded from the statement of cash flows:

- a) deferred exploration expenditures of \$203,197 included in accounts payable and accrued liabilities at November 30, 2015, less expenditures included in accounts payable at November 30, 2014 of \$350,781 (net inclusion of \$147,584);
- b) the issuance by the Company of 50,000 shares at the fair value of \$2,250 pursuant to mineral property agreements; and,
- c) the receipt of 1,500,000 common shares of Quest at the fair value of \$150,000 pursuant to the sale of the Strange Lake Property.

17. Commitments

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 director of the Company.

18. Subsequent Events

Convertible loan

On December 29, 2016, the Company issued an unsecured convertible debenture in the amount of \$120,750. The convertible debenture bears interest at the rate of 10% per annum, calculated and paid quarterly in arrears, and matures on December 29, 2017. The debenture is convertible into units at a conversion price of \$0.07 per unit. Each unit will be comprised of one common share and one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase an additional common share of the Company at \$0.14 per common share up to one year from the date of conversion of the debenture.

Settlement of litigation

On November 30, 2016, the Company reached a full and final settlement of outstanding litigation with two former directors of the Company. The Company settled an amount due to former related parties of \$371,430 by agreeing to pay \$120,000. On December 15, 2016, the Company paid the \$120,000 and all parties signed a Full and Final Mutual Release Agreement.

Search Minerals Inc.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the years ended November 30, 2016 and 2015
(Expressed in Canadian Dollars)

	Port Hope Simpson REE District, Labrador \$	Red Wine, Labrador \$	Total \$
Balance, November 30, 2014	8,482,442	-	8,482,442
Acquisition costs			
Cash	15,000	20,000	35,000
Shares	2,250	-	2,250
Staking	14,875	-	14,875
	32,125	20,000	52,125
Deferred exploration costs			
Assay	130,824	-	130,824
Camp and rent (Note 13)	91,563	7,800	99,363
Engineering and metallurgy	123,253	-	123,253
Geological consulting, salaries, wages and benefits (Note 13)	257,105	-	257,105
Geotechnical reports	68,569	233	68,802
Government contributions	(136,895)	-	(136,895)
Other	42,702	-	42,702
	577,121	8,033	585,154
Write-down	-	(28,033)	(28,033)
Balance, November 30, 2015	9,091,688	-	9,091,688
Acquisition costs			
Cash	10,000	-	10,000
Staking	125	-	125
	10,125	-	10,125
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
	482,115	-	482,115
Balance, November 30, 2016	9,583,928	-	9,583,928