**SEARCH MINERALS INC.**

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2018 and 2017

(Expressed in Canadian dollars)

**Search Minerals Inc.**

**Consolidated Financial Statements**

**Years ended November 30, 2018 and 2017**
**(Expressed in Canadian Dollars)**

Mao & Ying LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of **Search Minerals Inc.**, which comprise the consolidated statements of financial position as at November 30, 2018 and 2017, 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, 2018 and 2017, 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 $17,429,284 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.

Mao & Ying LLP

Vancouver, Canada,
April 1, 2019

Chartered Professional Accountants

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**SEARCH MINERALS INC.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at November 30, 2018 and 2017
(Expressed in Canadian dollars)

| | Notes | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | **63,848** | 293,508 |
| Receivables | **6** | **37,092** | 82,579 |
| Prepaid expenses and other assets | | **3,694** | 33,960 |
| | | **104,634** | 410,047 |
| **Non-current assets** | | | |
| Equipment | | **11,720** | 15,598 |
| Reclamation deposits | | **50,000** | 50,000 |
| Staking deposits | | **450** | 450 |
| Exploration and evaluation expenditures (Schedule 1) | **7** | **11,784,940** | 10,606,526 |
| | | **11,951,744** | 11,082,621 |
| **LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS** | | | |
| **Current liabilities** | | | |
| Trade payables | **8** | **621,501** | 466,098 |
| Due to related parties | **8, 12** | **538,083** | 321,316 |
| Convertible debentures | **9** | **772,727** | 547,800 |
| | | **1,932,311** | 1,335,214 |
| **Non-current liabilities** | | | |
| Due to related parties | **8, 12** | **75,000** | 97,715 |
| | | **2,007,311** | 1,432,929 |
| **Equity attributable to shareholders** | | | |
| Share capital | **11** | **23,636,259** | 22,817,707 |
| Warrants | | **175,923** | 36,665 |
| Contributed surplus | | **3,400,900** | 3,048,630 |
| Equity component of convertible debentures | **9** | **160,635** | 43,978 |
| Deficit | | **(17,429,284)** | (16,297,288) |
| | | **9,944,433** | 9,649,692 |
| | | **11,951,744** | 11,082,621 |

**Nature of Operations** (Note 1)
**Going Concern** (Note 2)
**Commitment** (Note 16)
**Subsequent events** (Notes 7 and 17)

**Approved by the Board of Directors on March 21, 2019**

*"Jocelyn Bennett"* Director
Jocelyn Bennett

*"Leo Power"* Director
Leo Power

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

**SEARCH MINERALS INC.**
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | |
| Accounting and audit | | **75,544** | 68,075 |
| Administration and management fees | 12 | **238,592** | 359,041 |
| Amortization | | **6,335** | 7,557 |
| Consulting fees | | **8,330** | 30,300 |
| Legal fees | | **71,114** | 46,913 |
| Non-executive directors fees | 12 | **57,000** | 63,000 |
| Office and miscellaneous | | **57,950** | 67,010 |
| Regulatory and transfer agent fees | | **42,165** | 24,856 |
| Rent | | **18,119** | 22,555 |
| Share-based compensation – stock options | 11(c) | **271,627** | 12,133 |
| Shareholder communications | | **18,439** | 146,587 |
| Travel and accommodation | | **26,767** | 47,683 |
| **Loss for the year before other items** | | **(891,982)** | (895,710) |
| **Other income (expense) items** | | | |
| Flow-through premium income | 11(b) | **38,000** | 29,000 |
| Amortization of transaction costs | 9 | **(39,679)** | (4,821) |
| Accretion expense | 9 | **(33,271)** | (10,707) |
| Interest expense | 9 | **(84,352)** | (19,844) |
| Forbearance fee | 9 | **(50,000)** | - |
| Loss on debt refinancing | 9 | **(83,362)** | - |
| Gain on debt settlement | | **12,650** | 16,525 |
| **Loss for the year** | | **(1,131,996)** | (885,557) |
| **Basic and diluted loss per share** | 11(e) | **(0.01)** | (0.01) |
| **Weighted average number of common shares outstanding** | | **165,832,819** | 149,194,420 |

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

**SEARCH MINERALS INC.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

| | **2018** **$** | 2017 $ |
|---|---|---|
| **Cash (used in) provided by** | | |
| **OPERATING ACTIVITIES** | | |
| Loss for the year | **(1,131,996)** | (885,557) |
| Items not affecting operating cash: | | |
| Amortization | **6,335** | 7,557 |
| Share-based compensation – stock options | **271,627** | 12,133 |
| Flow-through premium income | **(38,000)** | (29,000) |
| Amortization of transaction costs | **39,679** | 4,821 |
| Accretion expense | **33,271** | 10,707 |
| Forbearance fee | **50,000** | - |
| Loss on debt refinancing | **83,362** | - |
| Gain on debt settlement | **(12,650)** | (16,525) |
| | **(698,372)** | (895,864) |
| Changes in non-cash working capital items: | | |
| Taxes recoverable | **45,487** | (24,941) |
| Prepaid expenses and other assets | **30,266** | 67,525 |
| Accounts payable and accrued liabilities | **156,509** | 156,121 |
| | **(466,110)** | (697,159) |
| **INVESTING ACTIVITIES** | | |
| Mineral property costs, net | **(1,056,540)** | (1,690,041) |
| Purchase of equipment | **(2,457)** | - |
| | **(1,058,997)** | (1,690,041) |
| **FINANCING ACTIVITIES** | | |
| Issuance of common shares | **888,818** | 606,985 |
| Share issuance costs | **(56,343)** | (16,992) |
| Issuance of convertible debentures | **550,000** | 620,750 |
| Repayment of convertible debenture | **(120,750)** | - |
| Transaction costs | **(50,000)** | (44,500) |
| Government assistance | **83,722** | 1,123,053 |
| | **1,295,447** | 2,289,296 |
| Decrease in cash during the year | **(229,660)** | (97,904) |
| Cash, beginning of the year | **293,508** | 391,412 |
| Cash, end of the year | **63,848** | 293,508 |
| Cash paid for interest | **85,682** | 9,098 |
| Cash paid for income taxes | **-** | - |

Non-cash Transactions (Note 15)

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

**SEARCH MINERALS INC.**
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

| | Number of Shares # | Share Capital $ | Warrants $ | Contributed Surplus $ | Equity Component of Convertible Debenture $ | Deficit $ | Total $ |
|---|---|---|---|---|---|---|---|
| Balance, November 30, 2016 | 146,222,190 | 22,246,691 | 548,098 | 2,488,399 | - | (15,411,731) | 9,871,457 |
| Issued during the year: | | | | | | | |
| For cash pursuant to private placement of units | 5,133,166 | 425,320 | 36,665 | - | - | - | 461,985 |
| Less: Issue costs - cash | - | (14,476) | - | - | - | - | (14,476) |
| For cash pursuant to private placement of flow-through shares | 2,900,000 | 145,000 | - | - | - | - | 145,000 |
| Transfer to flow-through premium liability | - | (29,000) | - | - | - | - | (29,000) |
| Less: Issue costs – cash | - | (2,516) | - | - | - | - | (2,516) |
| Pursuant to mineral property agreements | 50,000 | 2,250 | - | - | - | - | 2,250 |
| Pursuant to debt settlements (Note 10) | 987,501 | 44,438 | - | - | - | - | 44,438 |
| Issuance of convertible debentures | - | - | - | - | 43,978 | - | 43,978 |
| Transfer on expiry of warrants | - | - | (548,098) | 548,098 | - | - | - |
| Share-based payments | - | - | - | 12,133 | - | - | 12,133 |
| Comprehensive loss for the year | - | - | - | - | - | (885,557) | (885,557) |
| Balance, November 30, 2017 | 155,292,857 | 22,817,707 | 36,665 | 3,048,630 | 43,978 | (16,297,288) | 9,649,692 |
| Issued during the year: | | | | | | | |
| For cash pursuant to Rights Offering | 15,609,285 | 624,371 | - | - | - | - | 624,371 |
| For cash pursuant to private placement of units | 4,887,536 | 195,502 | 48,875 | - | - | - | 244,377 |
| For cash pursuant to private placement of flow-through shares and units | 3,800,000 | 190,000 | 30,000 | - | - | - | 220,000 |
| Transfer to flow-through premium liability | - | (38,000) | - | - | - | - | (38,000) |
| Less: Issue costs – compensation warrants | - | (97,048) | 97,048 | - | - | - | - |
| Less: Issue costs – cash | - | (56,343) | - | - | - | - | (56,343) |
| For cash pursuant to the exercise of warrants | 1,000 | 70 | - | - | - | - | 70 |
| Share-based payments | - | - | - | 271,627 | - | - | 271,627 |
| Transfer on expiration of conversion feature | - | - | - | 43,978 | (43,978) | - | - |
| Issuance of convertible debentures | - | - | - | - | 160,635 | - | 160,635 |
| Transfer on expiry of warrants | - | - | (36,665) | 36,665 | - | - | - |
| Comprehensive loss for the year | - | - | - | - | - | (1,131,996) | (1,131,996) |
| **Balance, November 30, 2018** | **179,590,678** | **23,636,259** | **175,923** | **3,400,900** | **160,635** | **(17,429,284)** | **9,944,433** |

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

## 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, 2018, the Company was in the exploration and evaluation stage and had properties located in Canada. The Company's corporate head office is located at 108, 901 West 3rd Street, North Vancouver, British Columbia, Canada.

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

## 2. Going Concern

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

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

At November 30, 2018, the Company had not yet achieved profitable operations, had a working capital deficiency of $1,827,677, had an accumulated deficit of $17,429,284 since inception and expects to incur further losses in the development of its business. Management is in the process of obtaining additional financial resources and believes sufficient resources will be available as required. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The above factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

## 3. Basis of Presentation

These consolidated financial statements, including comparatives have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments recorded at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting. The policies applied in these consolidated financial statements are based on IFRS in effect as of November 30, 2018.

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

These consolidated financial statements were approved by the Board of Directors on March 21, 2019.

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 subsidies. 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.

(Expressed in Canadian dollars)

Details of the subsidiaries are as follows:

| | | Percentage owned | |
|---|---|---|---|
| | Incorporated in | November 30, 2018 | November 30, 2017 |
| 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, 2018 and 2017, the Company did not have cash equivalents.

**Equipment and amortization**

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

**Exploration and evaluation expenditure**

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

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

**Financial assets**

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

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

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

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

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

**Financial liabilities**

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

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

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, 2018 and 2017, the Company does not have material decommissioning costs.

**Share capital**

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

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

**Income taxes**

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

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

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

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

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

**Basic and diluted loss per share**

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

**Foreign currencies**

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

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

**Share-based payments**

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

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

(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 will adopt IFRS 9 on December 1, 2018. The adoption of IFRS 9 is not expected to have a material impact on the financial statements.

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. Critical Accounting Estimates and Judgements

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

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

The Company has no critical accounting estimates.

## 6. Receivables

| | **November 30, 2018 $** | November 30, 2017 $ |
|---|---|---|
| GST receivable | **37,092** | 82,579 |
| Total receivables | **37,092** | 82,579 |

## 7. Mineral Properties – Schedule 1

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

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

***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”). The B and A claims host the Company’s Foxtrot Project.

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in 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. Since then, 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. The Quinlan Property hosts the Company’s Deep Fox Project.

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

The Vendors were granted a 1.5% net smelter return royalty (“NSR”). The Company may, at any time, purchase 1% of the net smelter return royalty for $1,000,000. The Company must make annual cash advance payments of $10,000 for the Quinlan Property to the Vendors commencing February 23, 2016 and continuing each year thereafter until commencement of commercial production, deductible against the NSR. During the year ended November 30, 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 November 30, 2018 and 2017, 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.

(Expressed in Canadian dollars)

## 8. Payables

| | **November 30, 2018 $** | November 30, 2017 $ |
|---|---|---|
| Trade payables | **618,008** | 455,352 |
| Interest payable | **3,493** | 10,746 |
| Due to related parties (Note 11) | **613,083** | 419,031 |
| Total payables | **1,234,584** | 885,129 |
| Total payables – current portion | **1,159,584** | 787,414 |
| Total payables – non-current portion | **75,000** | 97,715 |

## 9. Convertible Debentures

| | Liability Component – December 2016 $ | Liability Component - InCoR $ | Equity Components $ |
|---|---|---|---|
| Balance, November 30, 2016 | - | - | - |
| Proceeds on issuance of December 2016 Convertible Debenture | 113,230 | - | 7,520 |
| Proceeds on issuance of InCoR Convertible Debentures | - | 463,542 | 36,458 |
| Less: transaction costs | - | (44,500) | - |
| Amortization of transaction costs | - | 4,821 | - |
| Accretion | 6,872 | 3,835 | - |
| Balance, November 30, 2017 | 120,102 | 427,698 | 43,978 |
| Amortization of transaction costs | - | 39,679 | - |
| Accretion | 648 | 32,623 | - |
| Repayment | (120,750) | - | - |
| Transfer to contributed surplus on expiration of conversion feature | - | - | (43,978) |
| Refinancing of loans (Note 10) | - | 350,000 | - |
| Refinancing of debentures | - | (77,273) | 160,635 |
| Balance, November 30, 2018 | - | 772,727 | 160,635 |

*InCoR Convertible Debentures*

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

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

If InCoR did not elected to convert the entire amount of principal and accrued interest into units at the end of the initial twelve month term, the Company had the right to extend the maturity dates by one period of six months by paying a forbearance fee of $50,000 in cash or units at the election of InCoR within three business days of the end of the initial twelve month terms. If the Company had paid the forbearance fee in connection with the First Debenture, the forbearance fee would not be required for the Second Debenture.

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

Subsequent to the completion of InCoR Convertible Debentures, InCoR appointed two members to the Board of Directors of the Company.

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

On November 20, 2018, the Company paid InCoR the aggregate forbearance fees of $50,000 and interest to date of $45,205.

On November 30, 2018, the Company refinanced the $500,000 First and Second Debentures and $350,000 of Loans (Note 10) by issuing a $850,000 secured convertible debenture to 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.

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

During the year ended November 30, 2018, the Company recorded interest expense of $77,424 (2017 - $8,774), amortization of transaction costs of $39,679 (2017 - $4,821) and accretion expense of $32,623 (2017 - $3,835) on the First, Second and Third Debentures.

*December 2016 Convertible Debenture*

On December 29, 2016, the Company issued an unsecured convertible debenture in the amount of $120,750 (the “December 2016 Convertible Debenture”). The debenture bore interest at the rate of 10% per annum, calculated and paid quarterly in arrears, and was due on December 29, 2017. The debenture was convertible into units at a conversion price of $0.07 per unit. Each unit would be comprised of one common share and one share purchase warrant. Each whole warrant would 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.

The lender of the December 2016 Convertible Debenture agreed to extend the maturity date to March 31, 2018. The lender agreed to a further extension to June 30, 2018. No penalties or fees were incurred in relation to the extensions and all other terms of the 2016 Convertible Debenture remained the same, except that the conversion feature expired on March 31, 2018. On July 13, 2018, the December 2016 Convertible Debenture was repaid in cash.

During the year ended November 30, 2018, the Company recorded interest expense of $7,158 (2017 - $11,070) and accretion expense of $648 (2017 - $6,872) on the 2016 Convertible Debenture.

InCoR is a related party as they have two members on the Board of Directors of the Company.

## 10. 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 (Note 11(b)).

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 9).

The loans were provided by a company controlled by InCoR Holdings Plc, a related party.

## 11. Share Capital

### a. Common shares authorized

Unlimited number of common shares, no par value.

179,590,678 outstanding at November 30, 2018 (2017: 155,292,857).

### b. Financings

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

*i) Rights Offering of Units*

On July 5, 2018, the Company completed a Rights Offering of 15,609,285 units ("Units") at a price of $0.04 per Unit for gross proceeds of $624,371. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.07 per common share up to July 5, 2020. A value of $nil has been attributed to the warrants using the residual method.

In connection with the Rights Offering, the Company entered into a standby guarantee agreement (the "Standby Guarantee") with InCoR. Under the Standby Guarantee, InCoR agreed to subscribe for all Units that were not otherwise purchased by the Company's shareholders, up to the amount of $624,371. As compensation for providing the Standby Guarantee, the Company granted InCoR 3,140,988 share purchase warrants. The share purchase warrants are exercisable at a price of $0.07 per common share up to July 5, 2023. The fair value of the compensation warrants, $97,048, was estimated using the Black-Scholes option pricing model with the following assumptions: share price - $0.045; exercise price - $0.07; risk-free interest rate – 1.60%; expected life – 5.0 years; expected volatility – 100%; and expected dividends – nil.

*ii) Private Placement of Units*

On July 11, 2018, the Company completed a private placement of 4,887,536 units at a price of $0.05 per unit for gross proceeds of $244,377. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.07 per common share up to July 12, 2020. A value of $48,875 has been attributed to the warrants using the residual method.

*iii) Flow-Through Private Placements of Units*

On December 11, 2017, the company completed the second and final tranche of a non-brokered private placement of 800,000 flow-through shares at a price of $0.05 per share for gross proceeds of $40,000. The fair value of the flow-through shares was determined to be $32,000 with the remaining $8,000 being allocated to flow-through premium liability. As at November 30, 2018, the Company had incurred eligible Canadian Exploration Expenditures of $40,000. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to $8,000.

On July 11, 2018, the Company completed a flow-through private placement of 3,000,000 units at a price of $0.06 per flow-through unit for gross proceeds of $180,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.07 per common share up to July 12, 2020. The fair value of the flow-through premium was determined to be $30,000 with the remaining $150,000 being allocated to the units. A value of $30,000 has been attributed to the warrants using the residual method. As at November 30, 2018, the Company had incurred eligible Canadian Exploration Expenditures of $180,000. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to $30,000.

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

(Expressed in Canadian dollars)

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

i) *Private Placement of Units*

On May 5, 2017, the Company completed the first tranche of a non-brokered private placement of 3,622,166 units at a price of $0.09 per unit for gross proceeds of $325,995. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.18 per common share up to July 10, 2018. A value of $nil has been attributed to the warrants using the residual method.

On May 31, 2017, the Company completed the second tranche of a non-brokered private placement of 1,400,000 units at a price of $0.09 per unit for gross proceeds of $126,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.18 per common share up to July 10, 2018. A value of $35,000 has been attributed to the warrants using the residual method.

On July 10, 2017, the Company completed the third and final tranche of a non-brokered private placement of 111,000 units at a price of $0.09 per unit for gross proceeds of $9,990. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.18 per common share up to July 10, 2018. A value of $1,665 has been attributed to the warrants using the residual method.

ii) *Flow-Through Private Placements of Units*

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

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

**c. Stock option plan**

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

Changes in share purchase options during the year ended November 30, 2018 and 2017 are as follows:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Life (Years) |
|---|---|---|---|
| Outstanding, November 30, 2016 | 9,210,000 | $0.11 | 2.97 |
| Granted | 600,000 | $0.10 | |
| Expired | (835,000) | $0.21 | |
| Outstanding, November 30, 2017 | 8,975,000 | $0.10 | 2.14 |
| 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 |
| Outstanding and exercisable, November 30, 2018 | 12,500,000 | $0.09 | 2.00 |

(Expressed in Canadian dollars)

During the year ended November 30, 2018, the Company recorded share-based payment expense of $271,627 (2017: $12,133). The weighted average fair value of share purchase options granted during the year ended November 30, 2018 of $0.05 per option (2017 - $0.04) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | 2018 | 2017 |
|---|---|---|
| Stock price | $0.08 | $0.085 |
| Exercise price | $0.08 | $0.10 |
| Risk-free interest rate | 1.35% | 1.00% |
| Expected life | 3.5 years | 2.0 years |
| Expected volatility | 100% | 100% |
| Expected dividends | Nil | Nil |

At November 30, 2018, 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 |
|---|---|---|
| 500,000 | $0.10 | April 18, 2019 |
| 6,850,000 | $0.10 | June 30, 2020 |
| 5,150,000 | $0.08 | August 14, 2021 |
| 12,500,000 | | |

**d. Warrants**

Changes in share purchase warrants during the year ended November 30, 2018 and the year ended November 30, 2017 are as follows:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Life (Years) |
|---|---|---|---|
| Balance, November 30, 2016 | 59,278,971 | $0.12 | 0.46 |
| Issued | 2,566,583 | $0.18 | |
| Expired | (59,278,971) | $0.12 | |
| Balance, November 30, 2017 | 2,566,583 | $0.18 | 0.61 |
| 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 |

At November 30, 2018, 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 |
| 26,636,809 | | |

**e. Basic and diluted loss per share**

During the year ended November 30, 2018, potentially dilutive common shares totaling 73,136,809 (2017: 31,658,249) 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.

**12. Related Party Transactions**

During the year ended November 30, 2018 and 2017, 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:

(Expressed in Canadian dollars)

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Administration and management fees | **235,000** | 356,250 |
| Consulting fees | | - |
| Non-executive directors fees | **57,000** | 63,000 |
| Mineral property expenditures | | |
| Geological consulting, salaries, wages and benefits | **129,998** | 130,000 |
| Metallurgical consulting | **115,000** | 90,000 |
| Rent | **-** | 84,000 |
| Share-based compensation | **212,147** | - |
| | **749,145** | 723,250 |

At November 30, 2018, due to related parties of $613,083 (November 30, 2017: $419,031) included amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured and non-interest bearing. Amounts are due on demand or due contingent on future events. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

Key management includes the CEO, VP of Metallurgy, VP of Exploration and the directors of the Company. The compensation paid or payable to key management for services during the year ended November 30, 2018 and 2017 is as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Short-term benefits | **536,998** | 564,250 |
| Share-based compensation | **212,147** | 75,000 |
| | **749,145** | 639,250 |

The InCoR loans disclosed in Note 9 and 10 are related party transactions as InCoR appointed two directors of the Company. Other InCoR transactions are disclosed in Note 17.

## 13. Income Taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax expense for the years ended November 30, 2018 and 2017 is as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Statutory tax rate | **27.00%** | 26.00% |
| (Loss) income for the year before income taxes | **(1,131,996)** | (885,557) |
| Expected income tax expense (recovery) | **(305,000)** | (230,000) |
| Share-based payments and other permanent differences | **64,000** | (7,000) |
| Effect of change in tax rate and other | **(96,000)** | (16,000) |
| Change in unrecognized deferred tax assets | **337,000** | 253,000 |
| Income tax expense | **-** | - |

(Expressed in Canadian dollars)

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, 2018 and 2017 are as follows:

| | **2018**<br>**$** | 2017<br>$ |
|---|---|---|
| Deferred income tax assets (liabilities) | | |
| Non-capital and capital losses carried forward | **2,568,000** | 2,271,000 |
| Mineral properties | **1,028,000** | 992,000 |
| Other | **85,000** | 81,000 |
| Total unrecognized deferred income tax assets | **3,681,000** | 3,344,000 |

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

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

| | **$** |
|---|---|
| 2027 | 1,000 |
| 2028 | 194,000 |
| 2029 | 349,000 |
| 2030 | 954,000 |
| 2031 | 1,562,000 |
| 2032 | 1,471,000 |
| 2033 | 1,346,000 |
| 2034 | 1,306,000 |
| 2035 | 1,000 |
| 2036 | 422,000 |
| 2037 | 887,000 |
| 2038 | 845,000 |
| | 9,338,000 |

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 $15.6 million and which are available indefinitely to shelter future income from corporate income taxes.

On December 11, 2017, the Company completed the second tranche of a non-brokered private placement of 800,000 flow-through shares at a price of $0.05 per share for gross proceeds of $40,000. As at November 30, 2018, the Company had incurred eligible Canadian Exploration Expenditures of $40,000. The gross proceeds attributable to the flow-through shares of $40,000 will not be available to the Company for future deduction from taxable income.

On July 11, 2018, the Company completed a flow-through private placement of 3,000,000 units at a price of $0.06 per flow-through unit for gross proceeds of $180,000. As at November 30, 2018, the Company had incurred eligible Canadian Exploration Expenditures of $180,000. The gross proceeds attributable to the flow-through shares of $180,000 will not be available to the Company for future deduction from taxable income.

## 14. Financial Instruments

***Management of Capital***

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

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

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

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

Management reviews its capital management approach on an ongoing basis and no changes were made to the approach during the year ended November 30, 2018. At November 30, 2018 and 2017, the Company was not subject to any externally imposed capital requirements.

***Designation of Financial Instruments***

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

***Fair Value of Financial Instruments***

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

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

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

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

The Company does not have financial assets or liabilities that are measured at fair value on a recurring basis. The fair value of the Company's cash, receivables, accounts payable and accrued liabilities, due to related parties and convertible debentures are estimated to approximate their carrying values as at November 30, 2018 and 2017.

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, 2018 and 2017, the Company had working capital as follows:

| | **2018** **$** | 2017 $ |
|---|---|---|
| Current assets | **104,634** | 410,047 |
| Current liabilities | **(1,932,311)** | (1,335,214) |
| Working capital (deficiency) | **(1,827,677)** | (925,167) |

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, 2018 and 2017, all of the Company's cash were held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations. The Company has had nominal amounts of payables in US dollars.

*b) Interest Rate Risk*

As at November 30, 2018, the Company had a convertible debenture bearing interest at a fixed rate of 15% per annum. As the Company had no variable rate interest bearing financial instruments, the Company is not exposed to interest rate risk.

*c) Price Risk*

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

## 15. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended November 30, 2018 the following transactions were excluded from the statement of cash flows:

a) deferred exploration expenditures of $722,261 included in accounts payable and accrued liabilities at November 30, 2018, less expenditures included in accounts payable at November 30, 2017 of $516,665 (net exclusion of $205,596);

b) 3,140,988 share purchase warrants at the fair value of $97,048 issued as compensation for providing the Standby Guarantee (Note 11(b)) and,

c) An aggregate of $200,000 of demand loans were converted into an equity financing.

During the year ended November 30, 2017 the following transactions were excluded from the statement of cash flows:

a) deferred exploration expenditures of $516,665 included in accounts payable and accrued liabilities at November 30, 2017, less expenditures included in accounts payable at November 30, 2016 of $297,692 (net exclusion of $218,973);

b) the issuance by the Company of 50,000 shares at the fair value of $2,250 pursuant to a mineral property agreement; and,

c) the issuance by the Company of 987,501 shares at the fair value of $44,438 pursuant to debt settlements.

## 16. Commitment

*Building Lease*

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

## 17. Subsequent Events

An additional subsequent event is disclosed in Note 7.

*Flow-Through Private Placement of Units*

On January 29, 2019, the Company completed a flow-through private placement of 2,000,000 flow-through units at a price of $0.05 per flow-through unit for gross proceeds of $100,000. Each unit is comprised of one flow-through common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.06 per common share up to January 30, 2021.

*InCoR loans*

Subsequent to November 30, 2018, the Company received loans totaling $300,000 from InCoR Holdings Plc. The loans bear no interest and are repayable on demand.

*Units for debt*

On January 29, 2019, the Company completed a debt settlement transaction with NunatuKavut. The Company issued 500,000 units of the Company to settled $25,000 of accounts payable. 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 $0.06 per common share up to January 30, 2021. In addition, the Company issued 50,000 common shares to NunatuKavut under the original terms of the Mining Exploration Activities Agreement (Note 7).

**Search Minerals Inc.**
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the years ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

| | **Port Hope Simpson REE District, Labrador $** | **Red Wine, Labrador $** | **Total $** |
|---|---|---|---|
| Balance November 30, 2016 | 9,583,928 | - | 9,583,928 |
| Acquisition costs | | | |
| Cash | 10,000 | - | 10,000 |
| Staking | - | 3,600 | 3,600 |
| | 10,000 | 3,600 | 13,600 |
| Deferred exploration costs | | | |
| Camp and rent (Note 12) | 113,633 | - | 113,633 |
| Drilling | 200,087 | - | 200,087 |
| Engineering and metallurgy | 1,113,577 | - | 1,113,577 |
| Geological consulting, salaries, wages and benefits (Note 12) | 209,696 | - | 209,696 |
| Geotechnical reports | 3,850 | - | 3,850 |
| Government contributions | (888,666) | - | (888,666) |
| Metallurgical consulting (Note 12) | 90,000 | - | 90,000 |
| Other | 166,821 | - | 166,821 |
| | 1,008,998 | - | 1,008,998 |
| 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 (Note 12) | 122,769 | - | 122,769 |
| Drilling | 389,560 | - | 389,560 |
| Geological consulting, salaries, wages and benefits (Note 12) | 246,051 | - | 246,051 |
| Geotechnical reports and surveys | 4,200 | - | 4,200 |
| Government contributions | (83,722) | - | (83,722) |
| Metallurgical consulting (Note 12) | 115,000 | - | 115,000 |
| Other | 166,522 | - | 166,522 |
| | 1,162,264 | - | 1,162,264 |
| **Balance, November 30, 2018** | **11,781,340** | **3,600** | **11,784,940** |