



SEARCHLIGHT RESOURCES INC.

Interim Consolidated Financial Statements
Three Months Ended September 30, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

The accompanying unaudited interim financial statements have been prepared by Management of Searchlight Resources Inc. and have not been reviewed by the Company's auditors

SEARCHLIGHT RESOURCES INC.

Interim consolidated statements of financial position

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

| | September 30, 2019 \$ | June 30, 2019 \$ |
|---|-----------------------------|------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | 140,529 | 24,827 |
| Marketable securities (Note 3) | 212,077 | 10,620 |
| Amounts receivable | 8,233 | 3,525 |
| Prepaid expenses and deposits | 115,273 | 13,551 |
| Total current assets | 476,112 | 52,523 |
| Non-current assets | | |
| Mineral properties (Note 4) | 199,280 | 199,280 |
| Total assets | 675,392 | 251,803 |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 204,499 | 206,391 |
| Loans payable net of financing costs of \$nil and \$2,989, respectively (Note 5) | 295,000 | 292,011 |
| Advances payable | 32,000 | - |
| Flow-through share premium (Note 6) | 20,000 | - |
| Total current liabilities | 551,499 | 498,402 |
| Shareholders' equity (deficit) | | |
| Share capital (Note 8) | 21,778,529 | 21,559,029 |
| Contributed surplus | 8,722,509 | 8,722,509 |
| Deficit | (30,377,145) | (30,528,137) |
| Total shareholders' equity (deficit) | 123,893 | (246,599) |
| Total liabilities and shareholders' equity (deficit) | 675,392 | 251,803 |

Nature of operations and continuance of business (Note 1)

Subsequent event (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on November 26, 2019:

/s/ "John Kerr"
John Kerr, Director

/s/ "Peter Clausi"
Peter Clausi, Director

(The accompanying notes are an integral part of these interim consolidated financial statements)

SEARCHLIGHT RESOURCES INC.

Interim consolidated statements of operations

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

| | Three months ended September 30, 2019 \$ | Three months ended September 30, 2018 \$ |
|--|--|--|
| Expenses | | |
| Investor relations | 12,134 | 32,672 |
| Management and consulting fees (Note 5) | 35,950 | 30,000 |
| Mineral exploration costs (Note 4) | 4,330 | 38,133 |
| Office and miscellaneous | 9,338 | 26,628 |
| Professional fees (Note 5) | 21,480 | 29,115 |
| Rent | 3,145 | 7,099 |
| Transfer agent and filing fees | 1,099 | 3,549 |
| Total expenses | 87,476 | 167,196 |
| Loss before other income (expense) | (87,476) | (167,196) |
| Other income (expense) | | |
| Amortization of deferred financing costs | (2,989) | (3,193) |
| Mineral property option payments received in excess of capitalized costs (Note 4) | 363,529 | - |
| Realized gain on sale of marketable securities | - | - |
| Unrealized gain (loss) on marketable securities | (122,072) | (9,736) |
| Total other income (expense) | 238,468 | (12,129) |
| Net income (loss) and comprehensive income (loss) for the period | 150,992 | (180,125) |
| Income (loss) per share, basic and diluted | (0.01) | (0.01) |
| Weighted average shares outstanding | 23,685,444 | 23,685,444 |

(The accompanying notes are an integral part of these interim consolidated financial statements)

SEARCHLIGHT RESOURCES INC.

Interim consolidated statements of changes in equity

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

| | Share capital | | Contributed surplus \$ | Deficit \$ | Total shareholders' equity (deficit) \$ |
|--|-------------------|-------------------|---------------------------|---------------------|--|
| | Number of shares | Amount \$ | | | |
| Balance, June 30, 2018 | 22,674,908 | 21,478,499 | 8,696,561 | (29,960,815) | 214,245 |
| Shares issued pursuant to mineral property option agreements | 233,000 | 8,185 | - | - | 8,185 |
| Net loss for the period | - | - | - | (180,125) | (180,125) |
| Balance, September 30, 2018 | 22,907,908 | 21,486,654 | 8,696,561 | (30,140,940) | 42,275 |
| Balance, June 30, 2019 | 24,932,908 | 21,559,029 | 8,722,509 | (30,528,137) | (246,599) |
| Shares issued for cash | 4,790,000 | 239,500 | - | - | 239,500 |
| Flow-through premium | - | (20,000) | - | - | (20,000) |
| Net income for the period | - | - | - | 150,992 | 150,992 |
| Balance, September 30, 2019 | 29,722,908 | 21,778,529 | 8,722,509 | (30,377,145) | 123,893 |

(The accompanying notes are an integral part of these interim consolidated financial statements)

SEARCHLIGHT RESOURCES INC.

Interim consolidated statements of cash flows

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

| | Three months ended September 30, 2019 | Three months ended September 30, 2018 |
|--|---|---|
| | \$ | \$ |
| Operating activities | | |
| Net income (loss) for the period | 150,992 | (180,125) |
| Items not involving cash: | | |
| Amortization of deferred financing costs | 2,989 | 3,193 |
| Mineral property option payments received in excess of capitalized cost | (323,529) | - |
| Unrealized loss on marketable securities | 122,072 | 9,736 |
| Changes in non-cash operating working capital: | | |
| Prepaid expenses and deposits | (101,722) | 20,188 |
| Accounts receivable | (4,708) | 6,849 |
| Accounts payable and accrued liabilities | (1,892) | 27,253 |
| Net cash used in operating activities | (155,798) | (112,906) |
| Investing Activities | | |
| Acquisition of mineral properties | - | - |
| Net cash provided by investing activities | - | - |
| Financing activities | | |
| Proceeds from issuance of common shares | 239,500 | - |
| Advances payable | 32,000 | - |
| Net cash provided by financing activities | 271,500 | - |
| Change in cash | 115,702 | (112,906) |
| Cash, beginning of period | 24,827 | 417,914 |
| Cash, end of period | 140,529 | 305,035 |
| Non-cash investing and financing activities | | |
| Marketable securities received pursuant to mineral property option agreement | 323,529 | - |
| Shares issued pursuant to mineral property option agreement | - | 8,155 |
| Supplemental disclosures: | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

(The accompanying notes are an integral part of these interim consolidated financial statements)

SEARCHLIGHT RESOURCES INC.

Notes to the interim consolidated financial statements

September 30, 2019

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

1. Nature of Operations and Continuance of Business

Searchlight Resources Inc. (formerly Canyon Copper Corp.), (the “Company”), was incorporated in the State of Nevada, U.S.A. on January 21, 2000 under the name Aberdene Mines Limited. On August 7, 2006, the Company changed its name to Canyon Copper Corp. On May 31, 2013, the Company changed its incorporation jurisdiction to be British Columbia, Canada. On July 25, 2018, the Company changed its name to Searchlight Resources Inc. The Company’s principal business plan is to acquire, explore and develop mineral properties and ultimately seek earnings by exploiting mineral claims. The Company’s registered office is Suite 408, 1199 West Pender Street, Vancouver, British Columbia, V6E 2R1.

These interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at September 30, 2019, the Company has not generated any revenue and has accumulated losses of \$30,377,145 since inception. There is no guarantee that the Company will be able to complete any of the above objectives. These factors indicate the existence of a material uncertainty that may cast substantial doubt on the Company’s ability to continue as a going concern. These interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

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

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Canyon Copper (USA) Ltd., a company incorporated in the state of Nevada. All inter-company balances and transactions have been eliminated on consolidation.

These interim consolidated financial statements have been prepared on a historical cost basis. These interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(b) Accounting Standards Adopted

Effective July 1, 2019, the Company has adopted IFRS 16 Leases, which was issued in January 2016 and sets out a new model for lease accounting, replacing IAS 17 – Leases. This is the first set of the Company’s consolidated financial statements where IFRS 16 has been applied and there has been no material effect on the interim consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s interim consolidated financial statements.

SEARCHLIGHT RESOURCES INC.

Notes to the interim consolidated financial statements

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(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

3. Marketable Securities

The Company holds shares in publicly traded companies. The fair value of common shares held has been determined by reference to public price quotations in an active market.

| | June 30, 2019 Fair value \$ | Acquired \$ | Realized gains \$ | Unrealized losses \$ | September 30, 2019 Fair value \$ |
|-----------------------|--------------------------------------|----------------|-------------------------|----------------------------|---|
| Marketable securities | 10,620 | 323,529 | - | (122,072) | 212,077 |

4. Mineral Properties

Mineral property acquisition costs:

| | English Bay Property \$ | Bootleg Lake Property \$ | Munro Warden Property \$ | Cameron Cobalt Property \$ | Duddridge Lake Property \$ | Total \$ |
|--------------------------------|----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------|
| Balance, June 30, 2019 | 8,000 | 111,530 | 38,250 | 20,000 | 21,500 | 199,280 |
| Balance, September 30, 2019 | 8,000 | 111,530 | 38,250 | 20,000 | 21,500 | 199,280 |

Mineral exploration costs:

| | Three months ended September 30, 2019 \$ | Three months ended September 30, 2018 \$ |
|-----------------------------|--|--|
| Claims maintenance | - | 14,012 |
| General exploration | 4,330 | 16,644 |
| Geological and geophysics | - | 4,600 |
| Labour, field and camp site | - | 640 |
| Staking | - | 6,837 |
| | 4,330 | 38,133 |

(a) New York Canyon Property, Nevada, USA

The New York Canyon Project consists of 60 unpatented mineral claims covering approximately 1,200 acres and 21 patented mineral claims covering an area of approximately 780 acres, including the Jaycor claims as described below, located within the vicinity of the New York Canyon Claims area, Mineral County, Nevada. The New York Canyon Project is approximately five miles east of Luning and 30 miles east of Hawthorne, in the sparsely populated west central part of Nevada.

On March 6, 2014, the Company entered into a purchase agreement with the lessor of the Jaycor claims, which were leased by Canyon pursuant to the terms of a lease agreement with Jaycor dated July 21, 2004. The Company acquired a 100% interest in the 18 mineral claims described above for consideration of 200,000 common shares (issued) and the lease agreement was terminated. This agreement will continue to be subject to a 1.75% net smelter return royalty, which is payable up to US\$2,000,000.

On May 9, 2019, the Company entered into a Letter of Intent (“LOI”) with Emgold Mining Corporation (“Emgold”) pursuant to which Emgold could acquire a 100% interest in the New York Canyon Property. Consideration for the sale includes cash in the amount of \$350,000 of which \$10,000 was received on signing of the LOI, \$40,000 was received on the closing date of the

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4. Mineral Properties *(continued)*

transaction and \$100,000 is to be received on each of the six, twelve, and eighteen month anniversary of the closing date. In the event that Emgold accelerates the cash payments, a discounted amount will be received that is not less than \$275,000. In addition, the Company received 2,941,176 Emgold common shares at the date of closing.

(b) Bootleg Lake Gold Property, Saskatchewan, Canada

On May 10, 2017, the Company entered into an option agreement (“Option Agreement”) with New Moon Minerals Corp. (“New Moon”) to earn up to a 75% interest in the Bootleg Lake Gold Property (the “Property”) located near Creighton, Saskatchewan, Canada by making the following cash payments, share issuances and exploration expenditures:

- (i) Cash payment of \$5,000 upon signing of agreement (paid);
- (ii) Cash payment of \$5,000 and issuing 83,333 shares within 5 days of the date of TSXV acceptance (paid and issued);
- (iii) The Company will earn a 51% interest upon completing the following:
 - Cash payment of \$40,000 and issuing 83,333 shares (83,000 issued) before June 30, 2018;
 - Cash payment of \$50,000 and issuing 166,667 shares before June 30, 2019;
 - Incurring initial exploration expenditures of \$100,000 before December 31, 2018, and incurring further exploration expenditures of \$150,000 before December 31, 2019, for a cumulative total of \$250,000 of exploration expenditures; and
- (iv) The Company will earn a 75% interest upon completing the following:
 - Cash payment of \$50,000 and issuing 166,667 shares before June 30, 2020;
 - Cash payment of \$100,000 and issuing 166,667 shares before June 30, 2021;
 - Incurring additional exploration expenditures of \$200,000 before December 31, 2020, and incurring further exploration expenditures of \$300,000 before December 31, 2021, for a cumulative total of \$750,000 of exploration expenditures.

The Company can, at its option, accelerate the cash payments and common shares issuances described above. Any excess exploration expenditures incurred on the Property within an earn-in time period will be credited to successive earn-in time periods.

Under the terms of the Option Agreement, the Company will pay a 1% Net Smelter Return royalty (the “First NSR”) to New Moon on commencement of commercial production. The Company will have the right, at any time, to purchase 50% of the first NSR for \$500,000. There is an existing 1% net smelter return royalty in favour of the underlying optionors.

On October 16, 2018, the Company and New Moon executed an amended option agreement (“Amended Agreement”) pursuant to which the Company can earn a 51% interest in the Property by issuing 1,425,000 shares in lieu of additional cash payments.

(c) Munro Warden Copper Nickel Cobalt Property, Ontario, Canada

On July 19, 2017, the Company entered into an option agreement (“Option Agreement”) with 2333382 Ontario Inc., a private company, to earn up to a 100% interest in the Munro Warden Copper Nickel Cobalt Property (the “Property”) located in the eastern part of the Kidd-Munro assemblage of the Abitibi Greenstone Belt in Ontario.

Under the terms of the Option Agreement, the Company has the option to acquire up to a 100% interest in Property by making the following cash payments, share issuances and exploration expenditures:

- (i) Cash payment of \$5,000 (paid) and issuing 100,000 shares within 20 days of the date of TSXV acceptance (issued).

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Notes to the interim consolidated financial statements

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(Expressed in Canadian dollars)

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4. Mineral Properties (continued)

(ii) The Company will earn a 51% interest upon completing the following:

- Cash payment of \$20,000 (paid) and issuing 150,000 shares (issued) before June 30, 2018;
- Cash payment of \$25,000 and issuing 150,000 shares before December 31, 2019; and
- Incurring initial exploration expenditures of \$500,000 before December 31, 2019.

(iii) The Company will earn a 75% interest upon completing the following:

- Cash payment of \$50,000 and issuing 200,000 shares before December 31, 2020;
- Cash payment of \$50,000 and issuing 200,000 shares before December 31, 2021; and
- Incurring additional exploration expenditures of \$1,000,000 before December 31, 2021, for a cumulative total of \$1,500,000 of exploration expenditures.

(iv) The Company will earn a 100% interest upon completing the following:

- Cash payment of \$100,000 and issuing 200,000 shares before December 31, 2023; and
- Incurring additional exploration expenditures of \$1,000,000 before December 31, 2023, for a cumulative total of \$2,500,000 of exploration expenditures.

The Company can, at its option, accelerate the cash payments and common shares issuances described above. Any excess exploration expenditures incurred on the Property within an earn-in time period will be credited to successive earn-in time periods.

Under the terms of the Option Agreement, the Company will pay a 2% net smelter return royalty to 2333382 Ontario Inc. on commencement of commercial production. The Company will have the right, at any time, to purchase 1% of the net smelter return for \$1,000,000.

(d) Cameron Cobalt Property, Ontario, Canada

On November 13, 2017, the Company acquired 100% interest in the Cameron Cobalt Project located in the Brigstocke Township (the "Property") located in the north of North Bay, Ontario, in consideration for \$20,000.

(d) Duddridge Lake Property, Saskatchewan, Canada

On November 30, 2018, the Company entered into a purchase agreement to acquire a 100% interest in the Duddridge Lake Property located northwest of La Ronge, Saskatchewan. In consideration, the Company is to make the following cash payment and share issuance:

- (i) \$2,000 (paid) on the effective date; and
- (ii) \$2,000 (paid) and issue 500,000 common shares (issued) on the closing date.

Under the terms of the agreement, the Company will pay a 1% net smelter return royalty on commencement of commercial production. The Company will have the right, at any time prior to a feasibility study on the property or within six months after a feasibility study, to purchase 0.5% of the net smelter return for \$1,000,000 and to purchase 0.5% of the net smelter return for \$1,500,000.

(e) English Bay Property, Saskatchewan, Canada

On February 18, 2019, the Company entered into an option agreement to earn up to a 100% interest in the English Bay Property located in Saskatchewan. Under the terms of the option agreement, the Company has the option to acquire up to a 100% interest in the property by making the following cash payments, share issuances and exploration expenditures:

- (i) Cash payment of:
 - \$1,000 (paid) on effective date;

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4. Mineral Properties (continued)

- \$2,000 (paid) on the closing date;
 - \$3,000 on the first anniversary of effective date; and
 - \$4,000 on the second anniversary of effective date.
- (ii) Issue shares of:
- 100,000 on the closing date;
 - 100,000 on the first anniversary of closing date;
 - 100,000 on the second anniversary of closing date, and
- (iii) Complete the following exploration expenditures:
- \$10,000 in exploration expenditures prior to the first anniversary of effective date;
 - \$65,000 in additional exploration expenditures, prior to April 30, 2021, for a cumulative total of \$85,000; and
 - \$100,000 in additional exploration expenditures, prior to April 30, 2022, for a cumulative total of \$165,000.

The Company can, at its option, accelerate the cash payments and common shares issuances described above. Any excess exploration expenditures incurred on the property within an earn-in time period will be credited to successive earn-in time periods.

Under the terms of the option agreement, the Company will pay a 2% net smelter return royalty the optionors on commencement of commercial production. The Company will have the right, at any time, to purchase 0.5% of the net smelter return for \$1,000,000.

(f) Flin Flon North Project, Saskatchewan, Canada

In August 2019, the Company entered into an option agreement to earn up to a 100% interest in the Flin Flon North Project located in Saskatchewan. Under the terms of the option agreement, the Company must maintain the claims in good standing and complete twelve years of assessment work. The property is subject to a 2% NSR.

5. Related Party Transactions

- (a) During the three months ended September 30, 2019, the Company incurred management fees of \$30,000 (2018 – \$30,000) to the CEO of the Company.
- (b) During the three months ended September 30, 2019, the Company incurred professional fees of \$15,000 (2018 – \$15,000) to a company controlled by the CFO of the Company.
- (c) As at September 30, 2019, the Company was indebted to the Chief Executive Officer (“CEO”) of the Company for \$19,167 (June 30, 2019 – \$10,338), which is included in accounts payable and accrued liabilities. The amount is non-interest bearing, unsecured and due on demand.

6. Loans Payable

- (a) As at September 30, 2019, the Company was indebted to a non-related third party for \$195,000 (June 30, 2019 – \$195,000), which is non-interest bearing, unsecured and due on demand.
- (b) On April 28, 2015, the Company entered into a loan agreement with a non-related third party (the “Lender”), whereby the Lender agreed to loan the Company \$250,000 for a period of one year at an interest rate of 10% per annum. The amount is unsecured. As additional consideration for the loan, the Company issued 166,667 common shares to the Lender with a fair value of \$25,000. This amount was deferred and netted against the carrying value of the loan at issuance, and was amortized over the term of the loan. Effective May 3, 2016, the maturity date was extended to April 28, 2018. On March 27, 2018, the Company fully repaid the loan of \$250,000. As at September 30, 2019, the Company owed accrued interest of \$72,644 (June 30, 2019 – \$72,644).

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Notes to the interim consolidated financial statements

September 30, 2019

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

6. Loans Payable (continued)

- (c) On May 3, 2016, the Company entered into a loan agreement with a non-related third party (the “Lender”), whereby the Lender agreed to loan the Company \$50,000 for a period of two years at an interest rate of 10% per annum. The amount is unsecured. As additional consideration for the loan, the Company issued 66,667 common shares to the Lender on the first anniversary of the loan agreement, at a fair value of \$7,000. This amount was deferred and netted against the carrying value of the loan at issuance, and was amortized over the term of the loan. On March 27, 2018, the Company fully repaid the loan of \$50,000. As at September 30, 2019, the Company owed accrued interest of \$9,467 (June 30, 2019 – \$9,467).
- (d) On September 27, 2016, the Company entered into a loan agreement with a non-related third party (the “Lender”), whereby the Lender agreed to loan the Company \$100,000 for a period of three years at an interest rate of 10% per annum. The amount is unsecured. As additional consideration for the loan, the Company issued 133,333 common shares to the Lender on the first anniversary of the loan agreement, at a fair value of \$25,333. This amount was deferred and netted against the carrying value of the loan at issuance, and is being amortized over the term of the loan. During the three months ended September 30, 2019, the Company amortized \$2,989 of deferred financing costs. As at September 30, 2019, the Company owed accrued interest of \$14,952 (June 30, 2019 – \$14,952).

7. Flow-through Share Premium

The following is a continuity schedule of the liability portion of the flow-through share issuances:

| | |
|--|--------|
| Balance June 30, 2019 | - |
| Liability incurred on flow-through shares issued | 20,000 |
| Balance September 30, 2019 | 20,000 |

8. Share Capital

Authorized: Unlimited common shares without par value
Unlimited preferred shares without par value

- (a) On August 16, 2017, the Company completed a 3-for-1 share consolidation of its common shares. All share and per share amounts have been retroactively restated to reflect the share consolidation.
- (b) On September 18, 2019, the Company issued 2,790,000 units and 2,000,000 flow-through units at \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.05 per share for a period of twenty-four months from the date of issue. Each flow-through unit consists of one common share and one-half share purchase warrant with each whole share purchase warrant exercisable at \$0.05 for a period of twenty-four months from the date of issue. Gross cash proceeds from the issue of units and flow-through units was \$239,500. A flow-through share premium of \$20,000 was recognized as a reduction against the proceeds received.

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(Unaudited – Prepared by Management)

9. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

| | Number of warrants | Weighted average exercise price \$ |
|-----------------------------|--------------------|------------------------------------|
| Balance, June 30, 2019 | 8,503,500 | 0.15 |
| Expired | (8,076,000) | 0.15 |
| Balance, September 30, 2019 | 427,500 | 0.30 |

As at September 30, 2019, the following share purchase warrants were outstanding:

| Number of warrants outstanding | Exercise price \$ | Expiry date |
|--------------------------------|-------------------|-------------------|
| 427,500 | 0.30 | December 29, 2019 |

10. Stock Options

On August 21, 2009 (as amended on May 4, 2011), the Board of Directors of the Company adopted the Company's 2009 Stock Option Plan (the "Plan"). The Plan is administered by the Board of Directors. Stock options granted under the Plan have a maximum term of five years. The aggregate number of shares of the Company's common stock available for issuance under the 2009 Plan is 10% of the Company's issued and outstanding shares.

The following table summarizes the continuity of the Company's stock options:

| | Number of options | Weighted average exercise price \$ |
|---------------------------------|-------------------|------------------------------------|
| Outstanding, June 30, 2019 | 1,900,000 | 0.13 |
| Expired | - | 0.00 |
| Granted | - | 0.00 |
| Outstanding, September 30, 2019 | 1,900,000 | 0.13 |

Additional information regarding stock options outstanding as at September 30, 2019, is as follows:

| Range of exercise prices \$ | Outstanding and exercisable | | |
|-----------------------------|-----------------------------|---|------------------------------------|
| | Number of shares | Weighted average remaining contractual life (years) | Weighted average exercise price \$ |
| 0.05 - 0.20 | 1,900,000 | 3.62 | 0.13 |

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11. Financial Instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2019, as follows:

| | Fair Value Measurements Using | | | Balance, September 30, 2019 \$ |
|-----------------------|--|--|--|---|
| | Quoted prices in active markets for identical instruments (Level 1) \$ | Significant other observable inputs (Level 2) \$ | Significant unobservable inputs (Level 3) \$ | |
| Cash | 140,529 | – | – | 140,529 |
| Marketable securities | 212,077 | – | – | 212,077 |
| | 352,606 | – | – | 352,606 |

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, amounts due to related parties, accrued interest on loans payable to related parties, and loans payable to related parties approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company operates in Canada and United States. Future exploration programs and option payments may be denominated in U.S. dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

(d) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities. The Company is exposed to price risk with the marketable securities held in publicly traded companies. The Company's marketable securities are subject to risks associated with fluctuations in the market price of the marketable securities.

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12. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and contributed surplus.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2019.

13. Segmented Information

The Company operates in one reportable segment, being the acquisition, exploration and development of mineral properties, with all current exploration activities conducted in Canada and the United States.

| | September 30, 2019 | | |
|--------------------|--------------------|---------------|---------|
| | Canada | United States | Total |
| | \$ | \$ | \$ |
| Mineral properties | 199,280 | – | 199,280 |

The Company had no other non-current assets as at September 30, 2019.

14. Subsequent Event

On October 25, 2019, the Company completed a private placement of 1,340,000 units for proceeds of \$67,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share for \$0.05 expiring on October 25, 2021.