

## **SEARCHLIGHT RESOURCES INC.**

Interim Financial Statements

Three Months Ended September 30, 2021 and 2020

(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 statements of financial position  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

|   | September 30,<br>2021<br>\$ | June 30,<br>2021<br>\$ |
|---|-----------------------------|------------------------|
| <b>ASSETS</b>   |                             |                        |
| Current assets  |                             |                        |
| Cash  | 911,052                     | 1,196,294              |
| Marketable securities (Note 3)                        | 150,765                     | 164,471                |
| Amounts receivable                                    | 105,197                     | 86,619                 |
| Prepaid expenses and deposits                         | 54,673                      | 47,461                 |
| Total current assets                                  | 1,221,687                   | 1,494,845              |
| Non-current assets                                    |                             |                        |
| Mineral properties (Note 4)                           | 400,236                     | 400,236                |
| Total assets  | 1,621,923                   | 1,895,081              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b> |                             |                        |
| Current liabilities                                   |                             |                        |
| Accounts payable and accrued liabilities              | 75,608                      | 21,563                 |
| Total current liabilities                             | 75,608                      | 21,563                 |
| Shareholders' equity (deficit)                        |                             |                        |
| Share capital (Note 7)                                | 24,549,749                  | 24,546,249             |
| Contributed surplus                                   | 9,346,401                   | 9,346,401              |
| Deficit   | (32,349,835)                | (32,019,132)           |
| Total shareholders' equity                            | 1,546,315                   | 1,873,518              |
| Total liabilities and shareholders' equity            | 1,621,923                   | 1,895,081              |

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on November 26, 2021.

/s/ "John Kerr"  
John Kerr, Director

/s/ Alfred Stewart"  
Alfred Stewart, Director

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

**SEARCHLIGHT RESOURCES INC.**

Interim statements of operations

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

|  | Three months<br>ended<br>September 30,<br>2021<br>\$ | Three months<br>ended<br>September 30,<br>2020<br>\$ |
|--|--|--|
| Expenses   |  |  |
| Investor relations   | 28,575   | 27,419   |
| Management and consulting fees (Note 5)                          | 33,600   | 26,000   |
| Mineral exploration costs (Note 4)                               | 213,006  | 123,456  |
| Office and miscellaneous   | 12,436   | 11,048   |
| Professional fees (Note 5)                                       | 23,000   | 27,049   |
| Rent   | 3,930  | 3,930  |
| Transfer agent and filing fees                                   | 2,450  | 716  |
| Total expenses   | 316,997  | 219,618  |
| Loss before other income (expense)                               | (316,997)  | (219,618)  |
| Other income (expense)   |  |  |
| Settlement of flow-through premium liability                     | -  | 17,893   |
| Unrealized (loss) gain on marketable securities                  | (13,706)   | 27,412   |
| Total other (expense) income                                     | (13,706)   | 45,305   |
| Net (loss) income and comprehensive (loss) income for the period | (330,703)  | (174,313)  |
| Income (loss) per share, basic and diluted                       | (0.00)   | (0.01)   |
| Weighted average shares outstanding                              | 102,193,000  | 75,362,000   |

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

**SEARCHLIGHT RESOURCES INC.**

Interim statements of changes in equity

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

|  | Share capital    |              | Contributed surplus<br>\$ | Deficit<br>\$ | Total Shareholders' equity (deficit)<br>\$ |
|--|------------------|--------------|---------------------------|---------------|--|
|  | Number of shares | Amount<br>\$ |                           |               |  |
| Balance, June 30, 2020                                       | 75,362,027       | 22,842,383   | 9,058,164                 | (30,671,232)  | 1,229,315                                  |
| Net loss for the period                                      | -                | -            | -                         | (174,313)     | (174,313)                                  |
| Balance, September 30, 2020                                  | 75,362,027       | 22,842,383   | 9,058,164                 | (30,845,545)  | 1,055,002                                  |
| Shares issued for cash                                       | 14,054,150       | 1,118,803    | -                         | -             | 1,118,803                                  |
| Share issue costs – cash                                     |                  | (66,692)     | -                         | -             | (66,692)                                   |
| Share issue costs – finder warrants                          |                  | (43,381)     | 43,381                    | -             |  |
| Flow-through premium   |                  | (9,875)      | -                         | -             | (9,875)                                    |
| Shares issued-exercise of warrants                           | 11,016,880       | 550,844      |                           |               | 550,844                                    |
| Shares issued for debt                                       | 1,083,333        | 97,500       | -                         | -             | 97,500                                     |
| Shares issued pursuant to mineral property option agreements | 666,667          | 56,667       | -                         | -             | 56,667                                     |
| Fair value of stock options granted                          | -                | -            | 244,856                   |               | 244,856                                    |
| Loss for the period  | -                | -            | -                         | (1,173,587)   | (1,173,587)                                |
| Balance, June 30, 2021                                       | 102,183,057      | 24,546,249   | 9,346,401                 | (32,019,132)  | 1,873,518                                  |
| Exercise of warrants   | 70,000           | 3,500        | -                         | -             | 3,500                                      |
| Net loss for the period                                      | -                | -            | -                         | (330,703)     | (330,703)                                  |
| Balance, September 30, 2021                                  | 102,253,057      | 24,549,949   | 9,346,401                 | (32,349,835)  | 1,546,315                                  |

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

**SEARCHLIGHT RESOURCES INC.**

Interim statements of cash flows

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

|  | Three months<br>ended<br>September 30, 2021 | Three months<br>ended<br>September 30, 2020 |
|--|---|---|
|  | \$  | \$  |
| Operating activities                             |   |   |
| Net (loss) income for the period                 | (330,703)                                   | (174,313)                                   |
| Items not involving cash:                        |   |   |
| Unrealized loss (gain) on marketable securities  | 13,706                                      | (27,412)                                    |
| Realized loss on marketable securities           | -   | 4,880                                       |
| Settlement of flow-through premium liability     | -   | (17,893)                                    |
| Changes in non-cash operating working capital:   |   |   |
| Prepaid expenses and deposits                    | (7,212)                                     | (10,350)                                    |
| Accounts receivable                              | (18,578)                                    | (14,657)                                    |
| Accounts payable and accrued liabilities         | 54,045                                      | 23,442                                      |
| <b>Net cash used in operating activities</b>     | <b>(288,742)</b>                            | <b>(221,183)</b>                            |
| Financing activities                             |   |   |
| Proceeds from exercise of warrants               | 3,500                                       | -   |
| <b>Net cash provided by financing activities</b> | <b>3,500</b>                                | <b>-</b>                                    |
| Change in cash                                   | (285,242)                                   | (221,183)                                   |
| Cash, beginning of period                        | 1,196,294                                   | 883,717                                     |
| <b>Cash, end of period</b>                       | <b>911,052</b>                              | <b>662,534</b>                              |
| Supplemental disclosures:                        |   |   |
| Interest paid                                    | -   | -   |
| Income taxes paid                                | -   | -   |

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

## **SEARCHLIGHT RESOURCES INC.**

Notes to the interim financial statements

September 30, 2021

(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 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, 2021, the Company has not generated any revenue and has accumulated losses of \$31,838,962 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 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*”.

On December 15, 2020, the Company’s wholly owned subsidiary Copper Canyon (USA) Ltd. was dissolved pursuant to the laws of Nevada. As a result, these interim financial statements include only the accounts of the Company. All inter-company transactions to the date of dissolution have been eliminated.

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

The Board of Directors approved these interim financial statements for issue on November 25, 2021.

#### **(b) Future Accounting Standards**

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 financial statements

September 30, 2021

(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,<br>2021<br>Fair value<br>\$ | Acquired<br>\$ | Realized<br>gains<br>\$ | Unrealized<br>loss<br>\$ | September 30,<br>2021<br>Fair value<br>\$ |
|-----------------------|--------------------------------------|----------------|-------------------------|--------------------------|---|
| Marketable securities | 164,471                              | -              | -                       | (13,706)                 | 150,765                                   |

### 4. Mineral Properties

*Mineral property acquisition costs:*

|  | English<br>Bay<br>Property<br>\$ | Bootleg<br>Lake<br>Property<br>\$ | Munro<br>Warden<br>Property<br>\$ | Cameron<br>Cobalt<br>Property<br>\$ | Robinson<br>Creek<br>Property<br>\$ | Duddridge<br>Lake<br>Property<br>\$ | Total<br>\$ |
|--|----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------|
| Balance, June<br>30, 2021 and<br>September 30,<br>2021 | -                                | 288,736                           | -                                 | 20,000                              | 70,000                              | 21,500                              | 400,236     |

*Mineral exploration costs:*

|                             | Nine months<br>ended<br>September 30,<br>2021<br>\$ | Nine months<br>ended<br>September 30,<br>2020<br>\$ |
|-----------------------------|---|---|
| Claims maintenance          | -   | (17,296)  |
| General exploration         | 174,251   | 14,884  |
| Geological and geophysics   | 14,400  | 53,445  |
| Drilling                    | 3,000   | -   |
| Labour, field and camp site | 1,900   | 39,474  |
| Staking                     | 19,455  | 32,949  |
|                             | 213,006   | 123,456   |

#### (a) 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 could 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;

## SEARCHLIGHT RESOURCES INC.

Notes to the interim financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

### 4. Mineral Properties *(continued)*

- 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 (issued);
- Cash payment of \$100,000 and issuing 166,667 shares before June 30, 2021 (paid);
- 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 (expenditures incurred).

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.

On June 25, 2020, the Company and New Moon executed an amended option agreement pursuant to which the Company could make a cash payment of \$30,000 and issue 473,859 shares to meet its obligation prior to June 30, 2020 under item (iv) above.

#### (b) 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.

#### (c) 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.

## SEARCHLIGHT RESOURCES INC.

Notes to the interim financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

### 4. Mineral Properties *(continued)*

#### (d) 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.

#### (e) Robinson Creek Property, Saskatchewan, Canada

On May 6, 2021, the Company entered into an option agreement to earn up to a 100% interest in the Robinson Creek Property located in Saskatchewan. Under 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 payments of:

- \$5,000 (paid) on effective date;
- \$20,000 (paid) on closing date;
- \$25,000 on the first anniversary of the closing date;
- \$25,000 on the second anniversary of the closing date; and
- \$25,000 on the third anniversary date of the closing date.

##### (ii) Issue shares of:

- 500,000 shares on the closing date (issued);
- 500,000 shares on the first anniversary of the closing date;
- 500,000 shares on the second anniversary of the closing date; and
- 500,000 shares on the third anniversary of the closing date;

##### (iii) Complete the following exploration expenditures:

- \$25,000 in expenditures prior to the first anniversary of the closing date;
- \$50,000 in expenditures prior to the second anniversary of the closing date;
- \$400,000 in expenditures prior to the fourth anniversary of the closing date.

The Company can extend the exploration expenditures, required prior to the fourth anniversary of the closing date, by one year by issuing 500,000 common shares.

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 1.5% of the net smelter return for \$2,250,000.

#### (f) Kulyk Lake Project, Saskatchewan, Canada

In June 2019 Searchlight announced the staking of Kulyk Lake Rare Earth project located approximately 165 kilometres north of La Ronge, Saskatchewan and 65 km south of the Key Lake Mine.

## SEARCHLIGHT RESOURCES INC.

Notes to the interim financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

### 5. Related Party Transactions

- (a) During the three months ended September 30, 2021, the Company incurred management fees of \$36,000 (2020 – \$30,000) to the CEO of the Company.
- (b) During the three months ended September 30, 2021, the Company incurred professional fees of \$15,000 (2020 – \$15,000) to a company controlled by the CFO of the Company.
- (c) During the three months ended September 30, 2021, the Company incurred consulting fees of \$12,000 (2020-\$15,000) to a Director of the Company.
- (d) As at September 30, 2021, the Company was indebted to the Chief Executive Officer (“CEO”) of the Company for \$20,934 (June 30, 2021 – \$8,243). The amounts are included in accounts payable and accrued liabilities. The amounts are non-interest bearing, unsecured and due on demand.

### 6. 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 17, 2021, 70,000 warrants were exercised resulting in the issuance of 70,000 shares for gross proceeds of \$3,500.

### 7. 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, 2021      | 31,406,875         | 0.06                               |
| Expired                     | (1,530,000)        | 0.05                               |
| Exercised                   | (70,000)           | 0.05                               |
| Balance, September 30, 2021 | 29,806,875         | 0.06                               |

As at September 30, 2021, the following share purchase warrants were outstanding:

| Number of warrants outstanding | Exercise price \$ | Expiry date      |
|--------------------------------|-------------------|------------------|
| 1,340,000                      | 0.05              | October 25, 2021 |
| 22,360,000                     | 0.05              | May 26, 2023     |
| 6,106,875                      | 0.12              | March 10, 2023   |
| 29,806,875                     |                   |                  |

In addition, there are 1,861,125 finder warrants outstanding expiring between March 2023 and May 2023 and exercisable at prices between \$0.05 and \$0.12.

## SEARCHLIGHT RESOURCES INC.

Notes to the interim financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

### 8. 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, 2021  | 8,875,000         | 0.07                               |
| Expired                     | -                 | 0.00                               |
| Granted                     | -                 | 0.00                               |
| Outstanding, March 31, 2021 | 8,875,000         | 0.07                               |

Additional information regarding stock options outstanding as at September 30, 2021, 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                        | 875,000                     | 2.8   | 0.05                               |
| 0.17                        | 100,000                     | 1.7   | 0.17                               |
| 0.20                        | 200,000                     | 1.5   | 0.20                               |
| 0.05                        | 5,150,000                   | 4.2   | 0.05                               |
| 0.09                        | 500,000                     | 1.9   | 0.09                               |
| 0.10                        | 2,050,000                   | 5.0   | 0.10                               |
|                             | 8,875,000                   | 4.0   | 0.07                               |

## SEARCHLIGHT RESOURCES INC.

Notes to the interim financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

### 9. 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, 2021, as follows:

|                       | Fair Value Measurements Using   |   |  |  |
|-----------------------|---|---|--|--|
|                       | Quoted prices in<br>active markets for<br>identical<br>instruments<br>(Level 1)<br>\$ | Significant<br>other<br>observable<br>inputs<br>(Level 2)<br>\$ | Significant<br>unobservable<br>inputs<br>(Level 3)<br>\$ | Balance,<br>September<br>30,<br>2021<br>\$ |
| Cash                  | 911,052   | -   | -  | 911,052                                    |
| Marketable securities | 150,765   | -   | -  | 150,765                                    |
|                       | 1,061,817   | -   | -  | 1,061,817                                  |

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. 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.

## **SEARCHLIGHT RESOURCES INC.**

Notes to the interim financial statements

September 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

### **10. 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, 2021.

### **11. Commitments and Contingencies**

The Company, as the result of exercise of flow-through warrants, has an obligation to incur \$122,000 in exploration and expenditure costs as at September 30, 2021.

#### **Covid 19**

The Company's business could be adversely affected by the effects of health epidemics, including the global COVID-19 pandemic. In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including Canada, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses. The spread of COVID-19, which has caused a broad impact globally, may materially affect the Company economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Company's ability to access capital, which could in the future negatively affect the Company's liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect the Company's business and the value of the Company's common shares. The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Company's business, operations and clinical trials will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease and whether Canada and other countries are required to move to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

### **12. Subsequent Events**

On October 22, 2021, 200,000 warrants were exercised for cash proceeds of \$10,000.

On October 25, 2021, 1,340,000 warrants expired.

On November 24, 2021, the Company announced a private placement financing. The Company will issue up to 10,000,000 flow-through units at \$0.10 per unit, with each unit consisting of one common share designated as a flow-through share and one-half share purchase warrant with each whole warrant exercisable for one common shares for a period of twenty-four months from the date of issue. In addition, the Company will issue up to 12,500,000 units at \$0.08 per unit. Each unit consists of one common share and one-half share purchase option, with each whole share purchase option exercisable at \$0.12 for a period of twenty-four months from the date of issue. The financing transaction is subject to regulatory approval and is expected to close during Q2 of fiscal 2022.