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TSXV



Financial Statements
Years Ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Searchlight Resources Inc.

Opinion

We have audited the financial statements of Searchlight Resources Inc. (the "Company") which comprise the statements of financial position as at June 30, 2023 and 2022, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there is no other key audit matter to communicate in our report.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
October 25, 2023

SEARCHLIGHT RESOURCES INC.Statements of financial position
(Expressed in Canadian dollars)

	June 30, 2023 \$	June 30, 2022 \$
ASSETS		
Current assets		
Cash	1,265,091	1,403,267
Marketable securities (Note 3)	47,723	65,788
Amounts receivable (Note 4)	13,665	154,058
Prepaid expenses and deposits	94,153	70,502
Total current assets	1,420,632	1,693,615
Non-current assets		
Mineral properties (Note 5)	757,736	470,236
Total assets	2,178,368	2,163,851
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	75,335	21,856
Flow-through share premium (Note 13)	63,473	50,475
Total liabilities	138,808	72,331
Shareholders' equity		
Share capital (Note 7)	27,154,832	25,882,455
Share-based payment reserve	9,514,113	9,539,183
Deficit	(34,629,385)	(33,330,118)
Total shareholders' equity	2,039,560	2,091,520
Total liabilities and shareholders' equity	2,178,368	2,163,851

Nature of operations and continuance of business (Note 1)
Commitments and Contingencies (Note 13)
Subsequent events (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on October 25, 2023:

/s/ "John Kerr"
John Kerr, Director

/s/ "Alfred Stewart"
Alfred Stewart, Director

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

SEARCHLIGHT RESOURCES INC.Statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Year ended June 30, 2023 \$	Year ended June 30, 2022 \$
Expenses		
Investor relations	217,136	135,865
Management and consulting fees (Note 6)	246,775	198,700
Mineral exploration costs (Note 5)	633,818	492,546
Office and miscellaneous	55,807	49,389
Professional fees (Note 6)	164,889	122,451
Rent	15,720	15,720
Share-based compensation (Note 9)	93,632	208,914
Transfer agent and filing fees	33,752	18,681
Total expenses	1,461,529	1,242,166
Loss before other items	(1,461,529)	(1,242,166)
Other items		
Impairment of mineral properties (Note 5)	-	(20,000)
Settlement of flow-through premium liability (Note 13)	80,735	24,525
Unrealized loss on marketable securities (Note 3)	(39,157)	(98,683)
Mineral property option payments received (Note 5 (k))	29,842	-
Total other items	71,420	(94,158)
Net loss and comprehensive loss for the year	(1,390,109)	(1,336,324)
Loss per share, basic and diluted	(0.01)	(0.01)
Weighted average shares outstanding	132,820,000	111,826,000

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

SEARCHLIGHT RESOURCES INC.

Statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share-based	Deficit	Total shareholders' equity
	Number of shares	Amount \$	payment reserve \$		
Balance, June 30, 2021	102,183,057	24,546,249	9,346,401	(32,019,132)	1,873,518
Shares issued for cash	16,633,583	1,405,687	-	-	1,405,687
Share issue costs-cash	-	(65,413)	-	-	(65,413)
Share issue costs-finder warrants	-	(36,961)	36,961	-	-
Flow-through premium	-	(75,000)	-	-	(75,000)
Shares issued-exercise of warrants	302,760	15,138	-	-	15,138
Shares issued-exercise of options	500,000	25,000	-	-	25,000
Shares issued pursuant to mineral property option agreements	500,000	40,000	-	-	40,000
Fair value of stock options granted	-	-	208,914	-	208,914
Transfer from contributed surplus on exercise of options	-	27,755	(27,755)	-	-
Stock options expired	-	-	(25,338)	25,338	-
Net loss for the year	-	-	-	(1,336,324)	(1,336,324)
Balance, June 30, 2022	120,119,400	25,882,455	9,539,183	(33,330,118)	2,091,520
Shares issued for cash	9,373,334	984,200	-	-	984,200
Share issue costs-cash	-	(69,450)	-	-	(69,450)
Share issue costs-finder warrants	-	(46,343)	46,343	-	-
Flow-through premium	-	(93,733)	-	-	(93,733)
Shares issued-exercise of warrants	3,220,000	161,000	-	-	161,000
Shares issued pursuant to mineral property acquisition agreement	6,000,000	240,000	-	-	240,000
Shares issued pursuant to mineral property option agreement	500,000	22,500	-	-	22,500
Fair value of stock options granted	-	-	93,632	-	93,632
Stock options expired	-	-	(90,842)	90,842	-
Finder warrants expired	-	74,203	(74,203)	-	-
Net loss for the year	-	-	-	(1,390,109)	(1,390,109)
Balance, June 30, 2023	139,212,734	27,154,832	9,514,113	(34,629,385)	2,039,560

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

SEARCHLIGHT RESOURCES INC.Statements of cash flows
(Expressed in Canadian dollars)

	Year ended June 30, 2023 \$	Year ended June 30, 2022 \$
Operating activities		
Net loss for the year	(1,390,109)	(1,336,324)
Items not involving cash:		
Impairment of mineral properties	-	20,000
Settlement of flow-through premium liability	(80,735)	(24,525)
Share-based compensation	93,632	208,914
Unrealized loss on marketable securities	39,157	98,683
Mineral property option payments received	(29,842)	-
Changes in non-cash operating working capital:		
Amounts receivable	140,393	(67,439)
Prepaid expenses and deposits	(23,651)	(23,041)
Accounts payable and accrued liabilities	53,479	293
Net cash used in operating activities	(1,197,676)	(1,123,439)
Investing activities		
Acquisition of mineral properties	(25,000)	(50,000)
Mineral property option payments received	8,750	-
Net cash used in investing activities	(16,250)	(50,000)
Financing activities		
Proceeds from issuance of common shares	984,200	1,405,687
Share issuance costs	(69,450)	(65,413)
Proceeds from exercise of warrants	161,000	15,138
Proceeds from exercise of options	-	25,000
Net cash provided by financing activities	1,075,750	1,308,412
Change in cash	(138,176)	206,973
Cash, beginning of year	1,403,267	1,196,294
Cash, end of year	1,265,091	1,403,267
Non-cash investing and financing activities:		
Fair value of brokers' warrants issued	46,343	36,691
Shares issued pursuant to mineral property option agreements	262,500	40,000
Fair value of non-cash proceeds of mineral property option proceeds	21,092	-
Supplemental disclosures:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
Years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Searchlight Resources Inc., (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 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 located at Suite 408, 1199 West Pender Street, Vancouver, British Columbia, V6E 2R1.

These 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 June 30, 2023, the Company has not generated any revenue, has negative cash flow from operations, and an accumulated deficit of \$34,629,385 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 significant doubt on the Company’s ability to continue as a going concern. These 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. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include fair value of marketable securities, recoverability of mineral properties, fair value of share-based payments, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
Years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

The application of the Company's accounting policy for mineral property costs requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Leases

The Company leases its head office building. The non-cancellable period of the lease is 12 months. The Company has elected to account for short-term lease using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to the is recognized as an expense in profit or loss on a straight-line basis over the lease term.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Mineral Property Costs

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs related to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

The amounts shown for mineral properties represent costs, net of write-offs, option proceeds and recoveries, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production. The Company reviews the carrying values of mineral properties when there are any events or change in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property is less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property.

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
Years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Mineral Exploration and Development Costs

Exploration costs are charged to operations as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized.

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations.

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant, and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
Years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Reclamation and Remediation Provisions (continued)

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(i) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	FVTPL
Marketable securities	FVTPL
Accounts payable	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
Years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss.

Impairment of Financial Assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
Years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Other financial liabilities

Other financial liabilities (including trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(j) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its mineral exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: (i) a flow-through share premium, equal to the estimated premium if any received from the investor, which is recognized as a liability, and (ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes the amount as other income for the amount of tax reduction renounced to the shareholders. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

(k) Foreign Currency Translation

The Company's functional currency, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

(l) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
Years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(l) Income Taxes (continued)

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(m) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. As at June 30, 2023, and 2022, the Company had no items that represent comprehensive income or loss.

(n) Loss Per Share

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at June 30, 2023, the Company had 24,753,569 (2022 – 49,781,582) potentially dilutive shares outstanding.

(o) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in contributed surplus.

SEARCHLIGHT RESOURCES INC.

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2. Significant Accounting Policies (continued)

(p) Reclassifications

Certain of the prior year figures have been reclassified to conform to the current year's presentation.

(q) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2023, and have not been applied in preparing these financial statements.

Amendments to IAS 1, "*Presentation of Financial Statements*"

Amendments to IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*"

Amendments to IAS 12 "*Income Taxes*"

The Company will adopt the amendments to the standards and does not expect they will have a material impact on the Company's 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 financial statements.

3. Marketable Securities

The Company holds shares and warrants in publicly traded companies. The fair value of common shares held has been determined by reference to public price quotations in an active market. The fair value of warrants has been determined using the Black-Scholes option pricing model.

	June 30, 2022 \$	Additions \$	Proceeds from sales \$	Realized loss \$	Unrealized loss \$	June 30, 2023 \$
Marketable securities	65,788	21,092	-	-	(39,157)	47,723

	June 30, 2021 \$	Additions \$	Proceeds from sales \$	Realized losses \$	Unrealized loss \$	June 30, 2022 \$
Marketable securities	164,471	-	-	-	(98,683)	65,788

4. Amounts Receivable

Amounts receivable are comprised of refundable sales tax.

SEARCHLIGHT RESOURCES INC.

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5. Mineral Properties

Mineral property acquisition costs:

	Bootleg Lake Property \$	Cameron Cobalt Property \$	Robinson Creek Property \$	Duddridge Lake Property \$	Total \$
Balance, June 30, 2021	288,736	20,000	70,000	21,500	400,236
Additions	25,000	-	65,000	-	90,000
Impairment	-	(20,000)	-	-	(20,000)
Balance, June 30, 2022	313,736	-	135,000	21,500	470,236
Additions	240,000	-	47,500	-	287,500
Balance, June 30, 2023	553,736	-	182,500	21,500	757,736

Mineral exploration costs:

	Year ended June 30, 2023 \$	Year ended June 30, 2022 \$
Drilling	-	19,857
Assays	49,794	-
General exploration	17,191	23,485
Geological and geophysics	150,185	110,845
Labour, field, and camp site	253,497	1,900
Staking	50,347	25,502
Surveys	112,804	310,957
	633,818	492,546

(a) Bootleg Lake Gold Property, Saskatchewan, Canada

On May 10, 2017, the Company entered into an option agreement with New Moon Minerals Corp. ("New Moon") to earn up to a 75% interest in the Bootleg Lake Gold 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 (paid) and issuing 83,333 shares within 5 days of the date of TSX Venture Exchange (the "TSXV") acceptance (issued);
- (iii) The Company will earn a 51% interest upon completing the following:
 - Cash payment of \$40,000 (paid) and issuing 83,333 shares (issued) before June 30, 2018;

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
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5. Mineral Properties (continued)

(a) Bootleg Lake Gold Property, Saskatchewan, Canada (continued)

- Cash payment of \$50,000 and issuing 166,667 shares before June 30, 2019; and
 - 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;
- (iv) The Company will earn a 75% interest upon completing the following:
- Cash payment of \$50,000 (paid) and issuing 166,667 shares before June 30, 2020 (issued);
 - Cash payment of \$100,000 (paid) and issuing 166,667 shares before June 30, 2021 (issued); and
 - 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 "NSR") to New Moon on commencement of commercial production. The Company will have the right, at any time, to purchase 0.5% 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 earned 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.

During fiscal 2022, the Company completed the required exploration expenditures under item (iv) above and earned a 75% interest in the property.

During fiscal 2022, the Company made a cash payment of \$25,000 to extend the period during which the Company may exercise its option to acquire a 100% interest in the property.

On March 22, 2023, the Company issued 6,000,000 common shares pursuant to a sale and purchase agreement whereby the Company acquired the remaining 25% interest in the property and the 1% Net Smelter Return royalty held by New Moon.

(b) Cameron Cobalt Property, Ontario, Canada

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

During fiscal 2022, the Company allowed the claims comprising the Cameron Cobalt Project to lapse and as a result impaired the property and wrote off the acquisition costs of \$20,000.

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
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5. Mineral Properties (continued)

(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.

(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.

a. Cash payments of:

- \$5,000 (paid) on effective date;
- \$20,000 (paid) on closing date;
- \$25,000 (paid) on the first anniversary of the closing date;
- \$25,000 (paid) 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 (issued);
- 500,000 shares on the second anniversary of the closing date (issued); and
- 500,000 shares on the third anniversary of the closing date ;

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5. Mineral Properties (continued)

(f) Robinson Creek Property, Saskatchewan, Canada (continued)

(iii) Complete the following exploration expenditures:

- \$25,000 (incurred) in expenditures prior to the first anniversary of the closing date;
- \$50,000 (not fully incurred) 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 2% of the net smelter return for \$3,000,000.

(g) Kulyk Lake Project, Saskatchewan, Canada

In June 2019, the Company 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. The property is owned 100%.

(h) Wapawekka Greenstone Belt, Saskatchewan, Canada

In June 2023, the Company announced the staking of Wapawekka Lake Greenstone Belt project located approximately 70 kilometres southeast of La Ronge, Saskatchewan. The property is owned 100%.

(i) Reef Lake, Saskatchewan, Canada

In September 2020, the Company completed the staking of a 29.7 square kilometre claim covering the Reef Lake Nickel Copper target in north central Saskatchewan.

(j) Hanson Lake and Jan Lake, Saskatchewan, Canada

In May 2018, the Company acquired the Hanson Lake claim located approximately 60 kilometres west of Flin Flon, Saskatchewan. During the 2022 fiscal year, the Company entered into a joint venture agreement for 50% of the claim in return for the co-venturer incurring exploration and evaluation expenditures on the property.

In October 2022, the Company staked the Jan Lake property located approximately 60 kilometres west of Flin Flon Saskatchewan.

In February 2023, the Company entered into an option agreement with Brunswick Exploration Inc. ("Brunswick") whereby Brunswick may acquire the Company's 50% joint venture interest in the Hanson Lake property and the Company's 100% interest in the Jan Lake property. Consideration for the option includes the receipt of cash and shares totalling \$35,000 on closing, \$50,000, \$150,000, \$200,000, and \$300,000 on the first, second, third, and fourth anniversary respectively of the closing date. A minimum of 25% of the consideration is to be comprised of cash. In addition, the optionee must carry out \$1 million in exploration and evaluation expenditures over a four-year period.

SEARCHLIGHT RESOURCES INC.

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6. Related Party Transactions

The Company compensates certain of its key management personnel to operate its business in the normal course. Key management includes the Company's executive officers and members of its Board of Directors. Transactions and balances with key management personnel and related parties are as follows:

- (a) As at June 30, 2023, the Company was indebted to the Chief Executive Officer ("CEO") of the Company and his Company for \$5,706 (2022 - \$4,650) which is included in accounts payable and accrued liabilities. The amount is non-interest bearing, unsecured, and due on demand.
- (b) As at June 30, 2023, the Company was indebted to a close family member of the CEO for \$27,580 (2022-\$nil) which is included in accounts payable and accrued liabilities. The amount is non-interest bearing, unsecured, and due on demand.
- (c) As at June 30, 2023, the Company was indebted to two directors of the Company and their companies for \$750 (2022-\$nil) which is included in accounts payable and accrued liabilities. The amount is non-interest bearing, unsecured, and due on demand.
- (d) During the year ended June 30, 2023, the Company incurred management fees of \$207,000 (2022 - \$144,000) to the CEO of the Company.
- (e) During the year ended June 30, 2023, the Company incurred consulting fees of \$90,000 (2022 - \$66,000-two Directors) to a Director of the Company.
- (f) During the year ended June 30, 2023, the Company incurred professional fees of \$72,000 (2022 - \$68,000) to a company controlled by the Chief Financial Officer ("CFO") of the Company.
- (g) During the year ended June 30, 2023, the Company incurred exploration and evaluation fees of \$nil to a company controlled by a director of the Company (2022-\$39,150), and \$77,630 (2022-\$63,260) to a close family member of the CEO.
- (h) During the year ended June 30, 2023, the Company granted 1,400,000 stock options with a fair value of \$70,857 (2022 - \$201,329) to officers and directors of the Company.
- (i) During the year ended June 30, 2023, the Company incurred office and administrative expenses of \$nil (2022-\$6,400) to the CEO of the Company.
- (j) During the year ended June 30, 2023, the Company paid cash compensation to directors in the amount of \$7,000 (2022-\$4,500).

7. Share Capital

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

Share transactions during the year ended June 30, 2023

- (a) On August 4, 2022, August 12, 2022, and September 6, 2022, 2,000,000, 1,000,000, and 120,000 warrants respectively were exercised resulting in the issuance of 3,120,000 common shares for gross proceeds of \$156,000.
- (b) On August 15, 2022, the Company issued 9,373,334 flow-through units at \$0.105 per unit for gross proceeds of \$984,200. Each unit consists of one common share and one-half share purchase warrant with each whole share purchase warrant enabling the holder to acquire one common share for \$0.15 for a period of twenty-four months from the date of issue. Cash expenses of \$69,450 were incurred and 774,333 finder warrants were issued with an approximate fair value of \$46,343.

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7. Share Capital (continued)

- (c) On March 22, 2023, the Company issued 6,000,000 common shares with a fair value of \$240,000 pursuant to a purchase agreement to acquire a mineral property described in Note 5 (a).
- (d) On April 20, 2023, 100,000 warrants were exercised resulting in the issuance of 100,000 common shares for gross proceeds of \$5,000.
- (e) On May 19, 2023, the Company issued 500,000 common shares with a fair value of \$22,500 pursuant to the mineral property option described in Note 5 (f).

Share transactions during the year ended June 30, 2022

- (f) On September 17, 2021 and October 22, 2021, 70,000 and 200,000 warrants respectively were exercised resulting in the issuance of 270,000 common shares for gross proceeds of \$13,500.
- (g) On December 2, 2021, the Company issued 8,979,208 units and 1,600,000 flow-through units at \$0.08 per unit and \$0.10 per unit respectively for gross proceeds of \$878,337. Each unit consists of one common share and one-half share purchase warrant with each whole warrant exercisable for one common share at a price of \$0.12 for a period of twenty-four months from the date of issue. Each flow-through unit consists of one common share designated as a flow-through share and one-half share purchase warrant with each whole share purchase warrant exercisable for one common share at a price of \$0.15 for a period of twenty-four months from the date of issue. The Company incurred cash commissions of \$27,020 and issued 267,750 finders' warrants in connection with the private placement.
- (h) On December 22, 2021, the Company issued 3,507,500 units and 2,150,000 flow-through units at \$0.08 per unit and \$0.10 per unit respectively for gross proceeds of \$495,600. Each unit consists of one common share and one-half share purchase warrant with each whole warrant exercisable for one common share at a price of \$0.12 for a period of twenty-four months from the date of issue. Each flow-through unit consists of one common share designated as a flow-through share and one-half share purchase warrant with each whole share purchase warrant exercisable for one common share at a price of \$0.15 for a period of twenty-four months from the date of issue. The Company incurred cash commissions of \$20,734 and issued 401,800 finders' warrants in connection with the private placement.
- (i) On February 2, 2022, the Company issued 396,875 units at \$0.08 per unit for gross proceeds of \$31,750. Each unit consists of one common share and one-half share purchase warrant with each whole share purchase warrant exercisable for one common share at a price of \$0.12 for a period of twenty-four months from the date of issue.
- (j) On February 2, 2022, 500,000 stock options were exercised resulting in the issuance of 500,000 common shares for gross proceeds of \$25,000.
- (k) On April 12, 2022, 32,760 broker warrants were exercised resulting in the issuance of 32,760 common shares for gross proceeds of \$1,638.
- (l) On May 26, 2022, the Company issued 500,000 common shares with a fair value of \$40,000 pursuant to the mineral property option described in Note 5 (f).

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8. 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
Exercised	(270,000)	0.05
Expired	(2,870,000)	0.05
Issued	8,316,792	0.13
Balance, June 30, 2022	36,583,667	0.08
Exercised	(3,220,000)	0.05
Expired	(25,046,875)	0.07
Issued	4,686,667	0.15
Balance, June 30, 2023	13,003,459	0.14

As at June 30, 2023, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
4,489,604	0.12	December 2, 2023
800,000	0.15	December 2, 2023
1,753,750	0.12	December 22, 2023
1,075,000	0.15	December 22, 2023
198,438	0.12	February 2, 2024
4,686,667	0.15	August 15, 2024
<u>13,003,459</u>		

In addition, there are 1,443,883 broker warrants outstanding with 267,750 broker warrants exercisable at \$0.12 expiring on December 2, 2023, 401,800 broker warrants exercisable at \$0.12 expiring on December 22, 2023, and 774,333 broker warrants exercisable at \$0.15 expiring on August 15, 2024.

The fair values for broker warrants issued during 2023 and 2022 have been estimated using the Black-Scholes option pricing model assuming the following weighted average assumptions.

	2023	2022
Risk-free interest rate	0.65%	0.25%
Expected life (in years)	2	2
Expected volatility	120%	155%
Expected dividend yield	0%	0%
Exercise price	\$0.15	\$0.12
Share price at date of grant	\$0.11	\$0.08

9. 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.

SEARCHLIGHT RESOURCES INC.

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9. Stock Options (continued)

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
Granted	2,575,000	0.10
Exercised	(500,000)	0.05
Expired	(250,000)	0.10
Outstanding, June 30, 2022	10,700,000	0.08
Granted	1,850,000	0.06
Expired	(800,000)	0.13
Outstanding, June 30, 2023	11,750,000	0.07

Additional information regarding stock options outstanding as at June 30, 2023, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of shares	Weighted average contractual life (years)	Weighted average exercise price \$
0.05	875,000	0.6	0.05
0.05	4,650,000	1.9	0.05
0.10	1,800,000	2.7	0.10
0.10	2,475,000	3.6	0.10
0.10	100,000	0.4	0.10
0.06	1,850,000	4.4	0.06
	11,750,000	2.7	0.07

The fair value of stock options vested during the year ended June 30, 2023, was \$93,632 (2022 – \$208,914) which was recorded as share-based payment reserve and charged to operations. The weighted average fair value of stock options granted during the year ended June 30, 2023 was \$0.05 (2022 – \$0.10) per option.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	2023	2022
Risk-free interest rate	3.35%	0.25%
Expected life (in years)	5	5
Expected volatility	155%	155%
Expected dividend yield	0%	0%
Exercise price	\$0.06	\$0.10
Share price at date of grant	\$0.06	\$0.09

SEARCHLIGHT RESOURCES INC.

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10. Financial Instruments and Risk Management

(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 June 30, 2023, as follows:

	Fair value measurements using			Balance, June 30, 2023 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	1,265,091	–	–	1,265,091
Marketable securities	47,723	–	–	47,723
	1,312,814	–	–	1,312,814

The fair values of other financial instruments, which include the accounts payable 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. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company operates in Canada. As a result, 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.

11. 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 share-based payment reserve.

SEARCHLIGHT RESOURCES INC.

Notes to the financial statements
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11. Capital Management (continued)

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 issuances 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, 2023.

12. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2023	2022
	\$	\$
Statutory income tax rate	27.0%	27.0%
Income tax recovery at statutory rate	(375,329)	(360,807)
Tax effect of:		
Permanent differences and other	61,938	225,446
Change in unrecognized deferred income tax assets	313,391	135,361
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2023	2022
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	996,517	783,672
Share issuance costs	47,455	46,760
Marketable securities	80,162	63,650
Resource pools	196,268	112,929
Total gross deferred income tax assets	1,320,402	1,007,011
Unrecognized deferred income tax assets	(1,320,402)	(1,007,011)
Net deferred income tax asset	–	–

As at June 30, 2023, the Company has non-capital losses carried forward of \$3,690,804, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2035	272,310
2036	328,013
2037	387,664
2038	324,249
2039	449,882
2041	546,680
2042	593,691
2043	788,315
	3,690,804

The Company also has available mineral resource related expenditure pools totaling \$1,484,655, which may be deducted against future taxable income on a discretionary basis.

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13. Commitments and Contingencies

Flow-through Shares

On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes as other income for the amount of tax reduction renounced to the shareholders. Other liabilities include the premium that has not yet been used to incur qualifying exploration expenditures.

Balance June 30, 2021	\$	-
Expenditure commitment on flow-through shares issued during the year		75,000
Settlement of flow-through share liability on Incurring expenditures		(24,525)
Balance June 30, 2022	\$	50,475
Flow-through share premium on flow-through shares issued during the year		93,733
Settlement of flow-through share liability on Incurring expenditures		(80,735)
Balance June 30, 2023	\$	63,473

The Company is required to incur exploration expenditures of \$661,000 by December 31, 2023 in order to meet flow-through commitments.

14. Subsequent Events

On August 27, 2023, the mineral property option agreement with Brunswick Exploration Inc. was terminated.