Search Closes Flow Through Private Placement And Shares For Debt Transaction And Extends Convertible Debenture

written by Raj Shah | January 14, 2020

January 13, 2020 (Source) – **Search Minerals Inc. (TSXV: SMY)** ("**Search**" or the "**Company**") is pleased to announce the closing of its previously announced private placement. Further to its news release dated November 20, 2019, the Company completed its non-brokered private placement (the "**Offering**") for aggregate gross proceeds of $70,000 and issued 1,400,000 flow-through common shares (the "**FT Shares**") at a price of $0.05 per FT Share.

All FT Shares issued pursuant to the Offering are subject to a statutory hold period of four months plus one day from the date of issuance, in accordance with applicable securities legislation.

The Company will use the gross proceeds of the Offering to incur "Canadian exploration expenses" as defined in the *Income Tax Act* (Canada) on the Company's Deep Fox project in the Critical Rare Earth Element District of South East Labrador (the "**District**") and other exploration work in the District.

Closing of the Offering is subject to a number of conditions, including receipt of all necessary corporate and regulatory approvals, including the approval of the TSX Venture Exchange (the "**Exchange**").

Shares for Debt

Further to the Company's news release dated December 17, 2019, the Company completed a shares for debt transaction after receiving the approval of the Exchange to settle indebtedness with NunatuKavut Community Council Inc. ("**NCC**").

The Company and NCC entered into an amending agreement dated December 16, 2019 to amend the terms of the Exploration Activity Agreement dated August 22, 2012 (the "**Agreement**"), pursuant to which NCC agreed to accept 500,000 common shares of the Company (the "**Shares**") at a deemed issue price of $0.05 per Share in settlement of payments owing to NCC under the Agreement in the amount of $25,000 (the "**Debt**").

The Shares will be issued concurrently with an additional 50,000 Shares due for issue under the original terms of the Agreement.

The Company decided to settle the Debt with the issuance of Shares in order to preserve its remaining cash for operations and the settlement of other obligations.

All securities issued will be subject to a four month hold period which will expire on the date that is four months and one day from the date of issue.

Extension of Convertible Debenture

Further to the Company's news release dated November 1, 2019, the Company confirms that it will be closing the extension of its convertible debenture with InCoR Holdings Limited ("**InCoR**") shortly. As previously announced, InCoR has agreed to advance the Company $150,000 and also extend the maturity date on the secured convertible debenture issued to InCoR on November 30, 2018 (the "**Debenture**"). The Debenture maturity date of November 29, 2019 will be extended to November 30, 2020. The parties have agreed that the $850,000 principal amount of the Debenture together with the $150,000 advance will be rolled over into a

new convertible debenture with principal amount of $1,000,000 (the "**New Debenture**") effective as of November 29, 2019. The Company has also agreed to pay an extension fee of $50,000 to InCoR.

The New Debenture will be for a term of 12 months and will have an interest rate of 15%. Furthermore, the New Debenture will be convertible into units ("**Units**") of the Company, at $0.05 per Unit, at any time following the issuance of the New Debenture, at InCoR's option. Each Unit, if issued, will consist of one common share and one warrant exercisable into an additional common share for a period of five years from the date of conversion at a deemed price of $0.05.

The foregoing constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("**MI 61-101**") because InCoR is a "Control Person" of the Company. The Company is relying on the exemptions from the formal valuation and minority approval requirements in Sections 5.5.(a) and 5.7 (1)(a) of MI 61-101, on the basis that the fair market value of the transactions does not exceed 25% of the Company's Market Capitalization.

The New Debenture is subject to Exchange approval.

About Search Minerals Inc.

Led by a proven management team and board of directors, Search is focused on finding and developing resources within the emerging Critical Rare Earth Element ("CREE") District of South East Labrador. The Company controls a belt 70 km long and 8 km wide including its 100% interest in the FOXTROT and DEEP FOX Projects, which are road accessible and at tidewater. Exploration efforts have advanced "Fox Meadow" as a new CREE prospect very similar to and in close proximity to FOXTROT and

DEEP FOX. The FOXTROT Project has a low capital cost to bring the initial project into production ($152 M), a short payback period and is scalable due to Search's proprietary processing technology.

The preliminary economic assessment is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. The preliminary economic assessment includes the results of an economic analysis of mineral resources. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

All material information on the Company may be found on its website at www.searchminerals.ca and on SEDAR at www.sedar.com

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Not for distribution to U.S. Newswire Services or for dissemination in the United States. Any failure to comply with this restriction may constitute a violation of U.S. securities laws.

Cautionary Statement Regarding "Forward-Looking" Statements:

This news release includes certain "forward-looking statements" and "forward-looking information" (collectively "forward-looking statements") within the meaning of applicable Canadian and United States securities legislation including the United States Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included

herein, without limitation, statements relating the future operating or financial performance of the Company, are forward-looking statements.

Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", and similar expressions, or statements that events, conditions, or results "will", "may", "could", or "should" occur or be achieved. Forward-looking statements in this news release relate to, among other things, advancement of the Company's Foxtrot Project, the use of proceeds from the Offering, final Exchange acceptance of the Offering, closing and Exchange acceptance of the New Debenture and other future plans and objectives of the Company. Such statements and information reflect the current view of the Company. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important risk factors that could cause actual results to differ materially from the Company's plans or expectations include failure to obtain final Exchange acceptance of the Offering, the inability to use the proceeds from the Offering as expected, failure to close the New Debenture on the proposed terms or at all, failure to obtain Exchange acceptance of the New Debenture, risks associated with mineral exploration, including the risk that actual results and timing of exploration and development will be different from those expected by management and general market and industry condition risks. Forward-looking statements reflect the beliefs, opinions and projections on the date the statements are made and are based upon a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors, both known

and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements and the parties have made assumptions and estimates based on or related to many of these factors. Such assumptions and factors include, among others, the ability to use the proceeds from the Offering as anticipated, receipt of the advance under the New Debenture and that the Company will be able to carry out its business plan as contemplated.

Readers are cautioned not to place undue reliance on forward-looking statements. The Company does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.