

Searchlight Minerals Corporation
Consolidated Balance Sheet
Unaudited

	December 31, 2020
Assets	
Cash	\$ 226,279
Total current assets	<u>226,279</u>
Mineral asset, slag pile and land	129,505,098
Property and equipment	<u>2,515,835</u>
Total Assets	<u><u>\$ 132,247,212</u></u>
Liabilities	
Accounts payable	\$ 1,303,143
Accrued expenses	2,755,002
Deferred revenue	<u>250,000</u>
Total current liabilities	4,308,145
Other accrued liabilities	1,073,844
Line of credit	704,754
PPP Loan	76,200
Convertible debt tranche 1, net	341,011
Convertible debt tranche 2, net	2,231,685
Convertible debt tranche 3, net	11,664
Deferred tax liability	<u>48,224,926</u>
Total liabilities	<u>56,972,229</u>
Stockholders' Equity	
Common stock, 400,000,000 shares authorized, 363,596,099 shares issued and outstanding	363,596
Additional paid-in capital	184,600,578
Retained earnings	<u>(109,689,191)</u>
Total stockholders' equity	<u>75,274,983</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 132,247,212</u></u>

These financial statements should be read in connection with the notes to unaudited financial statements

Searchlight Minerals Corporation
Consolidated Statement of Operations
Unaudited

	Year ended December 31, 2020
Revenues	\$ <u>-</u>
Geological and drilling expenses	176,583
Metallurgical and pilot plant	227,866
Salaries	237,143
Insurance	160,201
Legal and professional fees	20,656
Other general and administrative	628,185
Depreciation expense	500,000
Interest expense	723,689
Total expenses	<u>2,674,322</u>
Net Loss	<u>\$ (2,674,322)</u>
Weighted average shares outstanding	363,596,099
Earnings (Loss) per share	<u>\$ (0.01)</u>

These financial statements should be read in connection with the notes to unaudited financial statements.

Searchlight Minerals Corporation
Consolidated Statement of Stockholders' Equity
Unaudited

	Common Shares	Common \$	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2019	363,596,099	\$ 363,596	\$ 183,726,658	\$ (107,014,869)	\$ 77,075,384
Share based compensation	-	-	359,575	-	359,575
Discount related to convertible notes	-	-	514,345	-	514,345
Net loss	-	-	-	(2,674,322)	(2,674,322)
Balance at December 31, 2020	<u>363,596,099</u>	<u>\$ 363,596</u>	<u>\$ 184,600,578</u>	<u>\$ (109,689,191)</u>	<u>\$ 75,274,982</u>

These financial statements should be read in connection with the notes to unaudited financial statements.

Searchlight Minerals Corporation
Consolidated Statement of Cash Flow
Unaudited

	Year ended December 31, 2020
Operating Activities	
Net Loss	\$ (2,674,322)
Adjustment to reconcile net loss:	
Depreciation expense	500,000
Accretion expense	386,169
Share based compensation	359,575
Changes in assets and liabilities:	
Accounts payable	(53,512)
Accrued expenses	562,189
Cash used in operating activities	(919,901)
Investing Activities	
Cash used in investing activities	-
Financing Activities	
Proceeds from \$0.005 convertible notes	514,345
Proceeds from line of credit	546,487
Proceeds from PPP Loan	76,200
	1,137,032
Total cash provided (used) during the year	217,131
Beginning cash balance	9,148
Ending cash balance	\$ 226,279

These financial statements should be read in connection with the notes to unaudited financial statement:

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Description of Business

Description of business - Searchlight Minerals Corp. (the “Company”) is an exploration stage company engaged in a slag reprocessing project and the acquisition and exploration of mineral properties. The Company is presently focused on the Clarkdale Slag Project, located in Clarkdale, Arizona, which is a reclamation project to recover precious and base metals from the reprocessing of slag produced from the smelting of copper ore mined at the United Verde Copper Mine in Jerome, Arizona.

Since the Company’s involvement in the Clarkdale Slag Project began, the goal has been to demonstrate the economic feasibility of the project by determining a commercially viable method to extract precious and base metals from the slag material.

The Company has not yet realized any revenues from its planned operations. Upon the location of commercially minable reserves, the Company plans to prepare for mineral extraction.

History - The Company was incorporated on January 12, 1999, pursuant to the laws of the State of Nevada under the name L.C.M. Equity, Inc. From 1999 to 2005, the Company operated primarily as a biotechnology research and development company with its headquarters in Canada and an office in the United Kingdom. On November 2, 2001, the Company entered into an acquisition agreement with Regma Bio Technologies, Ltd. pursuant to which Regma Bio Technologies, Ltd. entered into a reverse merger with the Company with the surviving entity named “Regma Bio Technologies Limited”. On November 26, 2003, the Company changed its name from “Regma Bio Technologies Limited” to “Phage Genomics, Inc.” (“Phage”).

In February 2005, the Company announced its reorganization from a biotechnology research and development company to a company focused on the development and acquisition of mineral properties and its Board of Directors approved a change in its name from Phage to "Searchlight Minerals Corp." effective June 23, 2005.

Basis of presentation - The accompanying financial statements have been prepared in accordance with U.S. GAAP. The Company’s fiscal year-end is December 31.

These condensed consolidated financial statements have been prepared without audit.

Principles of consolidation - The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Clarkdale Minerals, LLC (“CML”) and Clarkdale Metals Corp. (“CMC”). Significant intercompany accounts and transactions have been eliminated.

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

Use of estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions include the valuation of stock-based compensation and derivative liabilities, impairment analysis of long-lived assets, and realizability of deferred tax assets. Actual results could differ from those estimates.

Capitalized interest cost - The Company capitalizes interest cost related to acquisition, development and construction of property and equipment which is designed as integral parts of the manufacturing process. The capitalized interest is recorded as part of the asset it relates to and will be amortized over the asset's useful life once production commences.

Mineral properties - Costs of acquiring mineral properties are capitalized upon acquisition. Exploration costs and costs to maintain mineral properties are expensed as incurred while the project is in the exploration stage. Once mineral reserves are established, development costs and costs to maintain mineral properties are capitalized as incurred while the property is in the development stage. When a property reaches the production stage, the related capitalized costs will be amortized using the units-of-production method over the proven and probable reserves.

Mineral exploration and development costs - Exploration expenditures incurred prior to entering the development stage are expensed and included in mineral exploration and evaluation expense.

Property and equipment - Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 15 years. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operating expenses.

Impairment of long-lived assets - The Company reviews and evaluates its long-lived assets for impairment at each balance sheet date due to its planned exploration stage losses and documents such impairment testing. Mineral properties in the exploration stage are monitored for impairment based on factors such as the Company's continued right to explore the property, exploration reports, drill results, technical reports and continued plans to fund exploration programs on the property.

The tests for long-lived assets in the exploration, development or production stage that would have a value beyond proven and probable reserves would be monitored for impairment based on factors such as current market value of the mineral property and results of exploration, future asset utilization, business climate, mineral prices and future undiscounted cash flows expected to result from the use of the related assets. Recoverability of assets to be held and used is measured by a

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

comparison of the carrying amount of an asset to the estimated future net cash flows expected to be generated by the asset, including evaluating its reserves beyond proven and probable amounts.

The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable either by impairment or by abandonment of the property. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds its fair value.

Reclamation and remediation costs - For its exploration stage properties, the Company accrues the estimated costs associated with environmental remediation obligations in the period in which the liability is incurred or becomes determinable. Until such time that a project life is established, the Company records the corresponding cost as an exploration stage expense. The costs of future expenditures for environmental remediation are not discounted to their present value unless subject to a contractually obligated fixed payment schedule.

Future reclamation and environmental-related expenditures are difficult to estimate in many circumstances due to the early-stage nature of the exploration project, the uncertainties associated with defining the nature and extent of environmental disturbance, the application of laws and regulations by regulatory authorities and changes in reclamation or remediation technology. The Company periodically reviews accrued liabilities for such reclamation and remediation costs as evidence indicating that the liabilities have potentially changed becomes available. Changes in estimates are reflected in the unaudited condensed consolidated statement of operations in the period an estimate is revised.

The Company is in the exploration stage and is unable to determine the estimated timing of expenditures relating to reclamation accruals. It is reasonably possible that the ultimate cost of reclamation and remediation could change in the future and that changes to these estimates could have a material effect on future operating results as new information becomes known.

Fair value of financial instruments - The Company's financial instruments consist principally of derivative liabilities and the VRIC payable. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels defined as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full thereof of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

The Company's financial instruments consist convertible notes (described in Note 5). The convertible notes are classified within Level 2 of the fair value hierarchy. The fair value of the convertible notes approximates carrying value as the interest rate is considered to approximate a market interest rate.

Per share amounts - Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. In computing diluted earnings per share, the weighted average number of shares outstanding is adjusted to reflect the effect of potentially dilutive securities. Potentially dilutive shares, such as stock options and warrants, are excluded from the calculation when their inclusion would be anti-dilutive, such as when the exercise price of the instrument exceeds the fair market value of the Company's common stock and when a net loss is reported. The dilutive effect of convertible debt securities is reflected in the diluted earnings (loss) per share calculation using the if-converted method. Conversion of the debt securities is not assumed for purposes of calculating diluted earnings (loss) per share if the effect is anti-dilutive. As of December 31, 2020, 359,629,857 warrants and common shares issuable upon the conversion of notes were outstanding, but, were not considered in the computation of diluted earnings per share as their inclusion would be anti-dilutive.

Stock-based compensation - Stock-based compensation awards are recognized in the unaudited condensed consolidated financial statements based on the grant date fair value of the award which is estimated using the Black Scholes option pricing model. The Company believes that this model provides the best estimate of fair value due to its ability to incorporate inputs that change over time, such as volatility and interest rates, and to allow for the actual exercise behavior of option holders. The compensation cost is recognized over the requisite service period which is generally equal to the vesting period. Upon exercise, shares issued will be newly issued shares from authorized common stock.

The fair value of performance-based stock option grants is determined on their grant date through the use of the Black Scholes option pricing model. The total value of the award is recognized over the requisite service period only if management has determined that achievement of the performance condition is probable. The requisite service period is based on management's estimate of when the performance condition will be met. Changes in the requisite service period or the estimated probability of achievement can materially affect the amount of stock-based compensation recognized in the financial statements.

Income taxes - For interim reporting periods, the Company uses the annualized effective tax rate ("AETR") method to calculate its income tax provision. Under this method, the AETR is applied to the interim year-to-date pre-tax losses to determine the income tax benefit or expense for the year-to-date period. The income tax benefit or expense for a quarter represents the difference between the year-to-date income tax benefit or expense for the current year-to-date period less such amount for the immediately preceding year-to-date period. Management considers the impact of all known events in its estimation of the Company's annual operating results and AETR.

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

The Company follows the liability method of accounting for income taxes. This method recognizes certain temporary differences between the financial reporting basis of liabilities and assets and the related income tax basis for such liabilities and assets. This method generates either a net deferred income tax liability or asset as measured by the statutory tax rates in effect. The effect of a change in tax rates is recognized in operations in the period that includes the enactment date. The Company records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

Recent Accounting Standards

The Company periodically reviews new accounting standards that are issued and has not identified any new standards that it believes merit further discussion or would have a significant impact on its financial statements.

NOTE 2 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has working capital and stockholders' deficits of approximately \$4.1 million and \$109.7 million as of December 31, 2020, respectively, and has incurred net losses of approximately \$2.7 million for the year ended December 31, 2020. These factors raise substantial doubt about its ability to continue as a going concern. In view of these matters, realization of certain of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and generate revenues and profits from operations.

Management plans to address the going concern include but are not limited to raising additional capital through an ongoing private placement as well potentially issuing additional debt instruments. There is no assurance that the ongoing capital raising efforts will be successful. Should management fail to successfully raise additional capital and or fully implement its strategic initiatives it may be compelled to curtail part or all its ongoing operations.

The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company has historically financed its operations primarily through various private placements of debt and equity securities.

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant, and equipment, less accumulated depreciation:

	December 31, 2020
Buildings	\$ 15,084,936
Equipment	42,580
Total cost	<u>15,127,516</u>
Less accumulated depreciation	<u>(12,611,681)</u>
Net property plant and equipment	<u><u>\$ 2,515,835</u></u>

Depreciation expense for the year ended December 31, 2020, was \$500,000.

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of December 31, 2020:

	December 31, 2020
Trade accounts payable	\$ 1,303,143
Accrued expenses	1,941,061
Accrued interest	813,941
Deferred revenue	250,000
Net property plant and equipment	<u><u>\$ 4,308,145</u></u>

Amounts due to related parties are discussed in Note 7.

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

NOTE 5 – DEBT

The table below presents outstanding convertible debt instruments as of December 31, 2020:

	<u>December 31, 2020</u>
<i>Long Term</i>	
Convertible debt \$0.005 – tranche 1	\$ 500,000
Less discount	(158,989)
Convertible debt \$0.035 – tranche 2	2,694,826
Less discount	(463,141)
Convertible debt \$0.005 – tranche 3	514,345
Less discount	(502,681)
Total promissory notes	<u><u>\$ 2,584,361</u></u>

Convertible debt \$0.005 – tranche 1; On various dates the Company has issued convertible promissory notes, these notes bear interest at 8% and mature on August 31, 2022. The notes are secured by all the tangible and intangible assets of the Company. The notes are convertible into shares of Company common stock at \$0.005. In connection with the embedded conversion feature the Company has recorded a discount which is being amortized over the life of the notes. For the year ended December 31, 2020, interest expense recorded in connection with the notes was \$40,110. As of December 31, 2020, accrued interest recorded in connection with the notes was \$142,918. Accretion expense recorded as a component of interest expense in connection with the embedded conversion feature was \$95,707 for the year ended December 31, 2020. Unaccrued debt discounts were \$158,989 as of December 31, 2020.

Convertible debt \$0.035 – tranche 2: On various dates the Company has issued convertible promissory notes, these notes bear interest at 8% and mature on August 31, 2022. The notes are secured by all the tangible and intangible assets of the Company. The notes are convertible into shares of Company common stock at \$0.035. In connection with the embedded conversion feature the Company has recorded a discount which is being amortized over the life of the notes. For the year ended December 31, 2020, interest expense recorded in connection with the notes was \$216,177. As of December 31, 2020, accrued interest recorded in connection with the notes was \$558,055. Accretion expense recorded as a component of interest expense in connection with the embedded conversion feature was \$278,798 for the year ended December 31, 2020. Unaccrued debt discounts were \$463,141 as of December 31, 2020.

Convertible debt \$0.005 – priority 3: On various dates the Company has issued convertible promissory notes, these notes bear interest at 8% and mature three years from their issue date. The notes are secured by all the tangible and intangible assets of the Company. The notes are convertible into shares of Company common stock at \$0.005. In connection with the embedded

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

conversion feature the Company has recorded a discount which is being amortized over the life of the notes. For the year ended December 31, 2020, interest expense recorded in connection with the notes was \$2,795. As of December 31, 2020, accrued interest recorded in connection with the notes was \$2,795. Accretion expense recorded as a component of interest expense in connection with the embedded conversion feature was \$11,664, for the year ended December 31, 2020. Unaccreted debt discounts were \$502,681 as of December 31, 2020.

NOTE 6 – STOCKHOLDERS’ DEFICIT

Common Stock

As of December 31, 2020, the Company had authorized 400,000,000 shares of \$.001 par value common stock. As of December 31, 2020, 363,596,099 shares were issued and outstanding.

There were no issuances of common stock during the years ended December 31, 2020.

Stock-Based Compensation

During the year ended December 31, 2020, the Board of Directors of the Company did not issue any option grants.

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

The table below presents option activity for the year ended December 31, 2020:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate intrinsic value
Balance at December 31, 2019	67,259,714	0.16	1.8	
Options exercised	-	-	-	-
Options granted	-	-	-	-
Options expired	(19,629,714)	-	-	-
Outstanding at December 31, 2020	47,630,000	\$ 0.05	3.8	\$ -

Warrants

The Company did not issue any warrants during the year ended December 31, 2020. Share based compensation during the year ended December 31, 2020, for warrants issued in prior periods was \$359,575.

A summary of the status of the Company's outstanding stock warrants as of December 31, 2020, is as follows:

	Number of Shares	Average Exercise Price	Weighted Average Life
Outstanding – December 31, 2019	30,630,329	\$ 0.29	2.04
Warrants – Expired during the period	(18,630,329)	0.45	-
Outstanding – December 31, 2020	12,000,000	\$ 0.04	8.78

SEARCHLIGHT MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

NOTE 7 – RELATED PARTY TRANSACTIONS

Accrued Expenses

Through December 31, 2020, the Company had recorded \$1,926,803 in wages and accrued board of directors, compensation payable to the CEO and board members. Wages and board of directors' compensation during the year ended December 31, 2020, was \$274,664.

Convertible Notes, Accrued Interest and Debt Discount

The Company CEO, one Director and one beneficial owner hold Convertible Notes in the Company. As of December 31, 2020, these three related parties held a total of \$1,164,171 in Convertible Notes. The notes hold the same terms for these individuals as for all other holders of the same notes. (See Note 5 for more information on these notes.) During the year ended December 31, 2020, these holders accounted for \$81,707 of interest expense. As of December 31, 2020, there was \$264,226 of accrued, but unpaid, interest on these notes. During the year ended December 31, 2020, these parties accounted for \$177,108 of accretion expense related to the debt discount recorded on these notes. The unaccreted balance of the debt discounts for these parties was \$442,463 as of December 31, 2020.

NOTE 8 – SUBSEQUENT EVENTS

The Company has evaluated events subsequent to December 31, 2020, and through the date the financial statements were available to be issued to assess the need for potential recognition or disclosure in this report. The Company raised \$213,000 related to the issuance of 13 convertible notes payable. The notes accrue interest at 8% and mature three years from their issue date.