SEARCH MINERALS INC.
(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2010

(unaudited)

Search Minerals Inc.

Interim Consolidated Financial Statements

Three months ended February 28, 2010

NOTICE OF NO AUDITOR REVIEW OF

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

SEARCH MINERALS INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)

	February 28, 2010	November 30, 2009
ASSETS		
Current		
Cash and cash equivalents	$ 1,543,456	$ 592,132
GST receivable	44,373	46,152
Other receivables	-	1,500
	1,587,829	639,784
Equipment (Note 3)	9,919	7,480
Mineral properties and deferred exploration (Note 4)	973,152	848,861
Staking deposits (Note 5)	189,746	151,319
	$ 2,760,646	$ 1,647,444
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	113,129	330,463
Shareholders' equity		
Share capital (Note 7)	3,122,416	2,267,666
Subscriptions received (Note 10)	707,000	-
Warrants (Note 7)	83,300	70,800
Contributed surplus (Note 7)	338,110	77,668
Deficit	(1,603,309)	(1,099,153)
	2,647,517	1,316,981
	$ 2,760,646	$ 1,647,444

Nature of Operations and Ability to Continue as a Going Concern (Note 1)
Commitments (Note 4)
Subsequent Events (Notes 4 and 10)

On behalf of the Board:

"Douglas Johnson"	Director	*"James Clucas"*	Director
Douglas Johnson		James Clucas	

The accompanying notes are an integral part of these consolidated financial statements.

SEARCH MINERALS INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
For the three months ended February 28, 2010 and 2009
(unaudited)

	2010	2009
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	$ 22,706	$ 1,035
Administration expense and management fees (Note 8)	27,330	3,941
Amortization (Note 3)	726	410
Bank charges	1,276	88
Consulting (Note 8)	50,135	2,000
Filing fees	8,473	5,274
Legal fees	11,680	-
Rent	4,800	3,000
Office and miscellaneous	14,246	2,479
Regulatory and transfer agent fees	767	3,173
Stock based compensation (Note 7(c))	260,442	-
Travel and accommodation	1,904	1,197
Loss for the period before other items	(404,485)	(22,597)
Other income (expense) items		
Interest income	329	107
Technology research (Notes 6 and 8)	(100,000)	-
Loss and comprehensive loss for the period	$ (504,156)	$ (22,490)
Deficit, beginning of the period	(1,099,153)	(877,512)
Deficit, end of the period	$ (1,603,309)	$ (900,002)
Basic and diluted loss per share	$ (0.04)	$ (0.00)
Weighted average number of common shares outstanding	13,269,890	8,085,385

The accompanying notes are an integral part of these consolidated financial statements.

SEARCH MINERALS INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended February 28, 2010 and 2009

	2010	2009
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net loss for the period	$ (504,156)	$ (22,490)
Items not affecting cash:		
Amortization	726	410
Stock based compensation	260,442	-
	(242,988)	(22,080)
Changes in non-cash working capital items:		
GST receivable	1,779	-
Other receivable	1,500	17,371
Accounts payable and accrued liabilities	(52,357)	(904)
	(292,066)	(5,613)
INVESTING ACTIVITIES		
Mineral property costs	(289,268)	(2,660)
Purchase of equipment	(3,165)	-
Staking costs, net of recoveries	(38,427)	15,300
	(330,860)	12,640
FINANCING ACTIVITIES		
Issuance of common shares, net of issue costs	867,250	-
Share subscription collected	707,000	1,750
	1,574,250	1,750
Increase in cash and cash equivalents during the period	951,324	8,777
Cash and cash equivalents, beginning of the period	592,132	870,868
Cash and cash equivalents, end of the period	$ 1,543,456	$ 879,645
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Supplemental non-cash financing information		
Amounts relating to mineral property costs included in accounts payable and accrued liabilities	$ (164,977)	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations and Ability to Continue as a Going Concern

Search Minerals Inc. (the “Company”) was incorporated under the provisions of the Business Corporation Act (British Columbia) on June 7, 2006. On May 3, 2007, the Company commenced trading on the TSX Venture Exchange (the “TSX-V”).

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and deferred exploration is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and the attainment and maintenance of future profitable production or disposition thereof.

The consolidated financial statements of the Company are prepared on a going concern basis, which assumes that the Company will continue realizing its assets and discharging all its liabilities in the normal course of business for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At February 28, 2010, the Company had not yet achieved profitable operations, has accumulated losses of $1,603,309 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, its ability to obtain the necessary financing to develop the properties and to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Subsequent to February 28, 2010, the Company completed a private placement for gross proceeds of $840,000 (Note 10) which provides the needed equity financing to continue exploration of the Company’s mineral properties.

2. Significant Accounting Policies

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, following accounting policies consistent with the Company’s audited consolidated financial statements and notes thereto for the year ended November 30, 2009. These consolidated financial statements do not include all the disclosures required by generally accepted accounting principles for annual financial statements and should be read in conjunction with the most recent audited consolidated financial statements of the Company.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Alterra Resources Inc. All intercompany transactions and balances have been eliminated.

Future accounting and reporting changes

i) Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008).

2. Significant Accounting Policies (continued)

The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

ii) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2010. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

3. Equipment

	February 28, 2010		
	Cost	Accumulated Amortization	Net
Vehicles	$ 13,771	$ 8,466	$ 5,305
Office furniture	799	116	683
Computer	4,580	649	3,931
	$ 19,150	$ 9,231	$ 9,919

	November 30, 2009		
	Cost	Accumulated Amortization	Net
Vehicles	$ 13,771	$ 8,036	$ 5,735
Office furniture	799	80	719
Computer	1,415	389	1,026
	$ 15,985	$ 8,505	$ 7,480

4. Mineral Properties

The Company, through its wholly-owned subsidiary, Alterra Resources Inc., owns interests in mineral properties in Newfoundland and Labrador. The Company acquired the mineral properties primarily by staking the claims. The Company is exploring the following mineral properties. Details of accumulated costs are as follows:

	Newfoundland			Labrador				Total
	Central	Southern	Katie	Port Hope Simpson	Strange Lake	Red Wine	Other	
Balance, November 30, 2009	$ 127,610	$ 98,420	$ 171,690	$ 383,470	$ 22,557	$ 45,114	$ -	$ 848,861
Acquisition costs								
Staking	-	-	-	3,930	-	-	-	3,930
Deferred exploration costs								
Airborne surveys	-	-	-	19,426	-	-	-	19,426
Assays	-	-	1,940	5,168	1,925	1,869	-	10,902
Drilling	-	-	13,894	-	-	-	-	13,894
Geological consulting	-	-	9,691	-	-	-	-	9,691
Line cutting	-	-	10,676	-	-	-	-	10,676
Other			15,226	1,475	1,861	-	1,654	20,216
Prospecting	550	-	5,000	613	-	-	528	6,691
Salaries, wages and benefits	-	-	18,519	10,346	-	-	-	28,865
	550	-	74,946	37,028	3,786	1,869	2,182	120,361
Balance, November 30, 2009	$ 128,160	$ 98,420	$ 246,636	$ 424,428	$ 26,343	$ 46,983	$ -	$ 973,152

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claims of title.

Port Hope Simpson

On December 10, 2009, the Company entered into a binding letter of intent (the “LOI”) with B and A Minerals Inc. (“B and A”), further defined in a Mining Option Agreement, for an option to acquire an undivided 100% interest in and to certain claims in southeast Labrador owned by B and A (“Port Hope Simpson”).

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in Port Hope Simpson, the Company must pay B and A an aggregate of $140,000. The Company paid $20,000 subsequent to February 28, 2010. The Company must pay $30,000 on or before January 14, 2011, $40,000 on or before January 14, 2012 and $50,000 on or before January 14, 2013.

The Company must also issue an aggregate 1,100,000 common shares of the Company. The Company issued 200,000 common shares on March 29, 2010 at an ascribed value of $80,000. The Company must issue 250,000 shares on or before January 14, 2011, 300,000 shares on or before January 14, 2012 and 350,000 shares on or before January 14, 2013.

4. Mineral Properties (continued)

The Mining Option Agreement is subject to a three (3) % net smelter return in favor of B and A, of which the Company can purchase 2% at any time for $2,000,000.

Red Wine

On March 16, 2010, the Company entered into an option agreement (the "Letter Agreement") with Great Western Minerals Group Ltd. ("GWG") whereby GWG can acquire up to a 50% working interest in the Company's Red Wine property, located approximately 100km north-east of Churchill Falls, Labrador.

Under the terms of the Letter Agreement, GWG will pay an aggregate of $225,000 and GWG will issue an aggregate of 1,050,000 common shares as follows:

- $50,000 and 200,000 common shares of GWG on March 16, 2010 (to be received on TSX-V approval);
- $75,000 and 350,000 common shares of GWG on or before April 30, 2011; and,
- $100,000 and 500,000 common shares of GWG on or before April 30, 2012.

GWG will also fund an exploration program of an aggregate of $1,500,000 of exploration expenditures as follows:

- $750,000 on or before March 16, 2011;
- $250,000 on or before March 16, 2012; and,
- $500,000 on or before March 16, 2013

The Company will be the operator of the exploration activities and GWG will pay the Company a 10% management fee, payable in cash.

On commencement of commercial production, GWG will have a three year renewable right (the "Marketing Arrangement") to market the Company's share of production of rare earth elements ("REE's") from the Red Wine property. The Company will retain the option to renew the Marketing Arrangement for each subsequent three year period.

The Letter Agreement is subject to TSX-V approval and the execution of a definitive agreement.

5. Staking deposits

Staking security deposits are refundable if certain criteria specified in the Mineral Act of the Province of Newfoundland and Labrador are met. Until such time as the Company makes application to have the deposits refunded, they will be classified as a non-current asset.

The Company has refundable deposits with the Governments of Newfoundland and Labrador as follows:

		Total
Balance, November 30, 2009	$	151,319
Additions		42,027
Recoveries		(3,600)
Balance, February 28, 2010	$	189,746

6. Technology Research

On September 22, 2009, the Company entered into a letter of intent (the "Technology LOI") with Jim Clucas and Dr. David Dreisinger (the "Vendors"), directors of the Company, to acquire certain conceptual technologies (the "Technologies") relating to improving metal recoveries from existing processing and production facilities. Under the terms of the Technology LOI, the Company will commit to a six-month budget of $180,000 to develop the Technologies with the view of achieving proof of concept of the Technologies.

The Vendors have the right to purchase back the Technologies at a price not to exceed 300% of the costs incurred by the Company associated with the research and developed of the Technologies in the event that the Company is unable to continue with the research and development of the Technologies.

The Technologies include the following processes:

- Air Sparged Hydrocyclone
- Low Grade Nickel Sulfide Leaching
- Low Grade Sprolite Leaching
- Nickel and Cobalt Recovery from Caron Plant

On October 14, 2009, the Company entered into a research agreement with the University Of British Columbia Department Of Materials Engineering to complete a proof of concept study on the Technologies. Under the terms of the research agreement the Company incurred $60,000 of technology research expense during the year ended November 30, 2009. There are no further commitments with respect to this research agreement.

On January 14, 2010 the Company determined that proof of concept was achieved on the Nickel and Cobalt Recovery from Caron Plant and the Company paid bonuses to the Vendors aggregating $100,000.

7. Share capital

a. Common shares

Authorized:
Unlimited number of common shares

Issued:

	Number	Amount	Warrants	Contributed Surplus
Balance, November 30, 2009	12,775,385	$ 2,267,666	$ 70,800	$ 77,668
Issued during the year:				
For cash pursuant to private placement of units	2,500,000	862,500	12,500	-
Less: Issue costs – cash	-	(7,750)	-	-
Stock-based compensation	-	-	-	260,442
Balance, February 28, 2010	15,275,385	$ 3,122,416	$ 83,300	$ 338,110

7. Share capital (continued)

b. Financings

During the three months ended February 28, 2010, the Company completed a non-brokered private placement of 2,500,000 units at a price of $0.35 per unit for gross proceeds of $875,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at $0.50 per share up to February 11, 2011. A value of $12,500 has been attributed to the warrants using the residual method. The Company incurred $7,750 of legal fees and other fees in connection with the private placement.

c. Stock option plan

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX Venture Exchange (the "TSXV"). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company.

Changes in share purchase options during the three months ended February 28, 2010 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2009	650,000	$0.13	3.92
Granted	875,000	$0.40	
Outstanding and exercisable, February 28, 2010	1,525,000	$0.29	4.42

At February 28, 2010, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
200,000	$0.20	May 3, 2012
450,000	$0.10	July 3, 2014
875,000	$0.40	February 16, 2015
1,525,000		

7. Share capital (continued)

The weighted average fair value of share purchase options granted of $0.30 (2009: $nil) per option was estimated using the Black-Scholes option pricing model with the following assumptions:

	Three months ended February 28, 2010	2009
Risk-free interest rate	1.98%	Nil
Expected life	5.0 years	Nil
Expected volatility	134%	Nil
Expected dividends	Nil	Nil
Expected forfeitures	10%	Nil

During the three months ended February 28, 2010, the Company recorded stock-based compensation expense of $260,442 (2009: $nil).

d. Warrants

Changes in share purchase warrants during the three months ended February 28, 2010 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2009	1,450,500	$0.25	0.76
Issued	2,500,000	$0.50	
Balance, February 28, 2010	3,950,500	$0.41	0.82

At February 28, 2010, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
310,000	$0.46	October 23, 2010
140,500	$0.46	October 23, 2010
820,000	$0.15	September 24, 2010
80,000	$0.15	October 8, 2010
100,000	$0.15	October 23, 2010
2,500,000	$0.50	February 11, 2011
3,950,500		

e. Escrow

The Company released 10% of the 1,500,000 escrowed shares on completion and approval of the Qualifying Transaction as defined by the TSXV (the “QT”). The 1,485,000 shares issued to acquire Alterra, including the finder’s fee shares, were escrowed and on completion of the QT 10% of these escrowed shares were released. An additional 15% of the aggregate escrowed common shares will be released on each six month anniversary of the completion of the QT. As at February 28, 2010, the Company had 1,791,000 (November 30, 2009: 1,791,000) shares held in escrow.

8. Related Party Transactions

During the three months ended February 28, 2010 and 2009, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders of:

	2010	2009
Administration and management fees	$ 22,500	$ -
Consulting fees	31,750	2,000
Technology research	100,000	-
Mineral property expenditures		
Geological consulting	7,500	-
	$ 161,750	$ 2,000

These expenditures were measured at the exchange amount which is the amount agreed upon by the transacting parties.

At February 28, 2010, accounts payable and accrued liabilities included $39,421 (November 30, 2009: $108,285) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

9. Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the immediate or short term maturity of these items.

Foreign Exchange Risk

As at February 28, 2010 and November 30, 2009, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

Credit Risk

Credit risk arises from cash held with banks and financial institutions as well as from receivables and amounts due from shareholders and related parties. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash and cash equivalents are held with a large Canadian bank.

Interest Rate Risk

The Company has investments in guaranteed investment certificates that are highly liquid. As such, the Company has been exposed to nominal interest rate risk.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date.

9. Financial Instruments (continued)

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of minerals under exploration.

10. Subsequent Events

On March 5, 2010, the Company closed a non-brokered private placement of up to 2,400,000 units at a price of $0.35 per unit for gross proceeds of $840,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at $0.50 per share up to March 5, 2011. The Company paid a cash commission of $58,469 in connection with the private placement. At February 28, 2010 the Company had received $707,000 of subscriptions for this private placement.