Management's Discussion and Analysis
for the Three and Nine Months Ended August 31, 2011

The following discussion and analysis of Search Minerals Inc. (the "Company" or "Search"), prepared as of October 31, 2011 should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended August 31, 2011 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles together with the audited consolidated financial statements for the year ended November 30, 2010 and the accompanying annual MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of drill results may also be considered as a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of October 31, 2011.

- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, possible variations in mineral resources, labour disputes, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.

- Subject to applicable laws, the Company assumes no obligation or update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

GENERAL

The Company was incorporated on June 7, 2006 under the *Business Corporations Act* of British Columbia under the name "Search Capital Inc." On May 3, 2007 the Company completed its initial public offering. It began trading on the TSX Venture Exchange (the "TSX-V") on May 7, 2007 as a Capital Pool Company. On October 24, 2008, the Company acquired 100% of the issued and outstanding shares of Alterra Resources Inc. ("Alterra") and Alterra became a wholly-owned subsidiary of the Company. The transaction constituted the Company's Qualifying Transaction (the "QT"), as defined by the TSX-V, and the Company ceased to be a Capital Pool Company. The Company resumed trading on the TSX-V on October 27, 2008 under its changed name, "Search Minerals Inc." and under the symbol "SMY.V."

The Company is in two lines of business being mineral exploration and the research and development of the starved acid leaching technology. The mineral exploration business involves acquiring, exploring and evaluating mineral resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is complete.

The Company exploration properties are located in the Province of Newfoundland and Labrador.

OVERALL PERFORMANCE

On January 13, 2011, the Company entered into a binding letter of intent with Andrew Quinlan, Roland Quinlan and Tony Quinlan. Pursuant to the letter of intent, the Company has the option to earn an undivided 100% interest in and to certain claims owned known as the Fox Harbour Claims comprised of three licenses totaling forty eight claims located east of St. Lewis, Labrador.

On March 31, 2011, the Company appointed Roberto Giannetti da Fonseca and Jonathan Sherman to the Board of Directors. In order to accommodate the appointment of the new directors, Tony Ker resigned from the board of directors.

Roberto Giannetti da Fonseca resides in Brazil and is CEO of Kaduna Consulting Group, which provides extensive service as a business advisor to more than fifty Brazilian and multinational companies. He is also Executive Director of International Affairs and Foreign Trade ("FIESP"), a Sao Paulo State business industrial association with more than 130,000 associates. From 2000-2002, he was a Secretary of Foreign Trade, Brazilian Federal Government.

Jonathan Sherman is the President of TrueCore Consumer Partners, a private equity and consulting firm based in Toronto. Mr. Sherman has worked as a private equity investment professional since 1999 and has been involved in the sourcing and completion of investment opportunities, and the development and implementation of corporate strategic plans, since that time.

Roberto Giannetti da Fonseca and Jonathan Sherman were nominated by the two strategic investors, Sercor Ltd. and Repalla Inc., who subscribed for the 2011 private placements.

On June 28, 2011, the Company announced that Great Western Minerals Group Ltd. planned to accelerate the exercise of its option to acquire a 50% interest in the Red Wine Property in order to create a joint venture as detailed in the option agreement signed on July 23, 2010. For further details on the Red Wine Property, refer to the mineral properties section.

On July 13, 2011, the Company entered into an agreement with Votorantim Metais Níquel S.A. and Votorantim Novos Negócios S.A. operating subsidiaries of Votorantim Participações S.A. (together, "Votorantim") whereby Votorantim and the Company agree to work together to develop the Starved Acid Leaching Technology at a pilot plant in Brazil and issue a final report on the SALT process. The Company has granted Votorantim the exclusive and irrevocable right and option, exercisable for up to three years, to acquire a 50% undivided interest in a patent, if and when it is granted by Brazil's National Institute of Intellectual Property. Votorantim's rights in respect of the SALT process are exclusively within Brazil and will not impair Search's rights to exploit the technology for its sole benefit in other jurisdictions. Additional details are disclosed in the technology research section of this MD&A and the news release dated August 9, 2011.

OUTLOOK

Search Minerals Inc. operates all of its exploration through its 100% owned subsidiary, Alterra Resources Inc. Search is continuing with the business plan strategy to explore its current portfolio of properties and with success, look for strategic partners to advance properties. Search has completed two joint ventures agreements to date and will continue to realize on the opportunities to further develop the properties.

Search is well financed to carry through the 2011 exploration program which will allow the Company to continue to evaluate the properties for future development and attract potential joint venture partners, if desired.

The Company completed a 2011 summer exploration drill program at the Foxtrot Prospect, in the Port Hope Simpson REE District located in southeast Labrador. The drill program consisted of 4,083 meters of NQ core in a total of 20 holes. An additional drill program of 10,000 meters, budgeted at $2.25 million, is ongoing and expected to complete by the end of Q4 2011. A NI 43-101 Technical Report is pending for Q4 2011.

The Company's primary focus at this time is the exploration of the Port Hope Simpson REE ("Rare Earth Elements") District located in Labrador.

Search is developing the proprietary process called Starved Acid Leach Technology ("SALT"). During Q3 2011, the Company and Votorantim completed a pilot plant in Brazil. An agreement is in place granting Votorantim the exclusive and irrevocable right and option to acquire a 50% undivided interest in a patent if and when it is granted in Brazil. Votorantim's rights in respect of the SALT process are exclusively within Brazil. The Company is seeking additional partners in other jurisdictions.

MINERAL PROPERTIES

The rare metals mentioned below are defined as follows: La – Lanthanum, Ce – Cerium, Pr – Praseodymium, Nd – Neodymium, Pm – Promethium, Sm – Samarium, Eu – Europium, Gd – Gadolinium, Tb – Terbium, Dy – Dysprosium, Ho – Holmium, Er – Erbium, Tm – Thulium, Yb – Ytterbium, Lu – Lutetium, Y – Yttrium, Zr – Zirconium and Nb – Niobium.

The company currently holds a number of Newfoundland and Labrador properties acquired through the Alterra acquisition, the B and A Minerals option and subsequent staking in Labrador. Four properties have recently been the focus of exploration or planning activities: the Strange Lake property, the Red Wine property, the Port Hope Simpson REE District and the Henley Harbour property. The B and A Mineral option in Labrador, now a part of the Port Hope Simpson REE District, and subsequent staking has also been the subject of a National Instrument 43-101 compliant report dated June 30, 2010. The other properties are discussed below.

Strange Lake Property, Labrador

On June 22, 2010, the Company entered into an agreement with Quest Rare Minerals Ltd. (“Quest”) pursuant to which Quest transferred four licenses consisting of nine mineral claims to the Company in consideration for 10,000 common shares of the Company (issued on June 22, 2010). The mineral claims are located adjacent to the Company’s Strange Lake Property located on 750 hectares in Western Labrador in the Province of Newfoundland and Labrador.

On June 22, 2010, the Company entered into an option agreement with Quest pursuant to which the Company has granted Quest an option (the “Option”) to acquire up to a 65% undivided working interest in the Company’s Strange Lake Property.

Pursuant to the option agreement, Quest may earn a 50% undivided working interest in the Strange Lake Property by issuing an aggregate of 90,000 common shares of Quest to the Company over a period of three years. The Company has received 10,000 common shares of Quest at the fair value of $21,400. In addition, Quest must incur mineral exploration expenditures of $500,000 in aggregate over a period of three years as follows:

- $100,000 on or before June 22, 2011 (incurred);
- $150,000 on or before June 22, 2012; and,
- $250,000 on or before June 22, 2013.

Upon Quest earning a 50% undivided working interest in the Strange Lake Property, Quest may earn an additional 15% undivided working interest in the property by incurring additional mineral exploration expenditures of $1,250,000 in aggregate over a period of two years and paying $75,000 in cash to the Company on or before June 15, 2014.

The property is subject to a 1.5% net smelter return royalty in favour of the Company. Quest may, at any time, purchase two-thirds of the 1.5% NSR royalty for $1,000,000.

Quest will be the operator for the property and the Company will pay Quest an amount equal to 10% of the expenditures incurred by Quest for each year of the Option.

The Strange Lake property consists of license 013305M that covers a total of 21 claims (5.25 sq. km) in western Labrador, about 120 km west of the coastal community of Nain. This license covers a portion of the Strange Lake Peralkaline Granite, the host of the REE mineralization in the B-Zone (Quest Rare Minerals) and Main Zone (discovered by Iron Ore Company in 1979), just northwest of the Quebec-Labrador border. License 013305M is part of the Option agreement with Quest and is currently registered to Quest Rare Minerals Inc.

Quest issued a news release on April 21, 2011 announcing that it recently completed a small, four hole, 310.3m drilling program on the Strange Lake property. The program tested surface REE mineralized occurrences identified by Quest during its summer 2010 exploration activities. Mineralized pegmatite and granite aplite was intersected in all holes on the property. All holes were sampled and submitted to the lab for analysis. On June 8, 2011, Quest issued a news release containing the final results from the drilling program. Quest plans on extending the drill program to the northeast and towards the southeast to identify additional high-grade deposits. High-grade pegmatite mineralization of between 1.10% and 4.37% total rare earth oxides over thickness of 1.15m to 46.0m were interested. The best intersection grades returned 1.13% total rare earth oxides over 48.0m. Refer to the June 8, 2011 Quest news release for assay tables. This is the second year of the Search-Quest Option and a minimum of $150,000 will be spent by Quest on the Option by June 22, 2012. Quest has acknowledged that they plan on continuing to fund the exploration program on the Strange Lake Property.

Exploration activity in 2009 by the Company comprised preliminary prospecting, boulder tracing and outcrop/float sampling. Eight grab samples were collected and analyzed for trace rare earth and major elements. Three of these samples, two boulders and one outcrop sample, gave very high REE (2.55%, 2.95% and 4.57% REE + Y) and very high rare metal values (e.g., 6,708 ppm, 8,521 ppm and 2,320 ppm Nb; 9,918 ppm, 13,165 ppm and 12,061 ppm Zr).

Red Wine Property, Labrador

On March 16, 2010, the Company entered into an option agreement (the "Letter Agreement") with Great Western Minerals Group Ltd. ("GWG") whereby GWG could 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 paid an aggregate of $225,000 and GWG issued an aggregate of 1,050,000 common shares. GWG will also funded exploration programs of an aggregate of $1,500,000 of exploration expenditures. The Company was the operator of the exploration activities and GWG paid the Company a 10% management fee, payable in cash.

During the summer of 2011, GWG completed its cash payments, share issuances, and exploration commitments to earn a 50% working interest in the Red Wine Property. The Company and GWG now have a 50-50 joint venture with Search presently acting as the operator.

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 REE from the Red Wine property. The Company will retain the option to renew the Marketing Arrangement for each subsequent three year period.

The property consists of 9 map staked licenses (013144M, 013306M, 016594M, 016596M, 016599M, 016601M, 016602M, 016628M, and 016676M) that encompass 301 claims (75 sq km.).

The property is underlain by Proterozoic saturated and undersaturated volcanic (Leticia Lake Group) and plutonic rocks (Red Wine Complex) of the Red Wine Peralkaline Suite. Peralkaline syenites and nepheline syenites in the North Red Wine portion of the property contain up to 30% (visually estimated) of the Zr-Y-REE-bearing mineral eudialyte. These rocks were the initial target of the exploration program.

Work on the property in 2009 consisted of reconnaissance prospecting, sampling and assay work. Twenty three grab samples were collected and assayed for trace, rare earth and major elements. Eudialyte-bearing samples gave up to 0.82 % total rare earth elements + Y, with Dy values ranging from 275 to 602 ppm for six samples. The highest Zr value for these samples is 33,801 ppm (3.38%).

The 2010 field program consisted of prospecting, channel sampling, mapping and diamond drilling. Mapping and prospecting identified six eudialyte showings on the property: Pinot Rose, Cabernet, Malbec, Zinfandel, Shiraz and Merlo. The Pinot Rose, Cabernet and Malbec showings have been channel sampled. A total of five holes, 896m, at the Pinot Rose Showing and five holes, totaling 1002.4m at the Cabernet Showing were completed this fall.

The 1,898 m (10 hole) drill program confirmed that the previously reported surface eudialyte-bearing REE-Zr-Y mineralization continues to depth in the Pinot Rose´ and Cabernet showings (see March 5, 2011, News Release). Analytical results for core samples indicate 550 ppm Dy, 3,451 ppm Y and 1.25% total REE (TREE; 1.59% Y+TREE) over 4 metres at the Cabernet showing. Metallurgical samples have been collected from three channels on the property.

Port Hope Simpson REE District, Labrador

The Port Hope Simpson REE district forms a belt that stretches north-westerly from Fox Harbour (St. Lewis) on the SE Labrador coast, inland for 130 km and ranges in width from 4 to 10 km. The Company controls 66 licenses in this area, which consist of 11 licenses acquired pursuant to an agreement with B and A Minerals Limited (see Dec. 3, 2009 News Release), 47 additional map staked licenses, staked previous to the 2010 field season, and 8 recently staked licenses for a total of 3,704 claims, covering 926 square km. All portions of this belt are within 10 km of a local transportation network that includes all-season highways, seasonal logging roads, ocean ports and three airstrips.

On January 13, 2011, the Company entered into a binding letter of intent with the Quinlan's to acquire the Fox Harbour Property comprised of three licenses totaling forty eight (48) claims located east of St. Lewis, Labrador. The Fox Harbour Property is located adjacent and connecting to the Port Hope Simpson REE district.

Preliminary prospecting and sampling were carried out over some parts of the district with easy access (mostly on the B and A option) before weather restricted activity in the late fall of 2009. A total of 59 grab samples were collected from seven REE showings and the surrounding area and analyzed for trace, rare earth and major elements. Results and highlights of these analyses are available in a News Release (April 14, 2010) and a NI 43-101 compliant report on the B and A Option (June 30, 2010).

The property was covered by a fixed-wing airborne radiometric and magnetic survey (see Dec. 23, 2009 News Release) and the results were interpreted for structural and lithological data and to determine REE targets. Each of the seven REE showings, sampled previously, were highlighted by the survey data and a further number of similar anomalies suggested that there were at least 80 REE anomalies in the district (see April 14, 2010 News Release).

During the 2010 field season, Search was working in the area with a team of 18, consisting of prospectors and geologists, on follow-up mapping, lithogeochemical sampling, channel sampling and prospecting of the higher priority targets. This work has led to the discovery of numerous mineral indications and a total of eight REE prospects including: HighREE Island, Fox Harbour Zone, HighREE Hills (four announced showings – Toots Cove, Pesky Hill, Southern Shore and Piperstock Hill), Rock Rolling Hill and Rattling Bog. The drill programs on HighREE Island, which consisted of 13 holes totaling 2,029m, and at the Foxtrot Showing (Fox Harbour Zone), which consisted of 23 holes totaling 3,955m, have resulted from these discoveries. Drill core samples from HighREE Island and Fox Harbour were provided to the laboratory for assaying. Representative mineralogical and metallurgical samples (20kg) were collected from HighREE Island and the Fox Harbour Zone and have been tested at the SGS Laboratory in Lakefield, Ontario.

On May 26, 2011, the Company issued a news release announcing positive results from the first phase of drilling at the Foxtrot Showing (Fox Harbour Zone). A 3,955 m drill program was completed with results detailed in the May 26, 2011 news release.

On August 30, 2011, the Company announced positive results from the second phase of drilling at the Foxtrot Showing (Fox Harbour Zone). A 4,083 m drilling program was completed with results detailed in the August 30, 2011 news release. A third phase, budgeted at an estimated $2.25 million NQ drill program of 10,000 m has commenced. The drill program will provide data to extend the resource estimate to 400 m depth. A 43-101 compliant resource estimate is planned to be completed by the fourth quarter, 2011.

On June 13, 2011, the Company announced that it will conduct a detailed geological study at HighREE Island. The $139,000 budget, approved by the Board of Directors, will include the following: a detailed ground magnetic survey, detailed channel sampling and logging, data compilation and analysis, detailed prospecting and trenching, and a detailed outcrop geology map. The aim of this extensive program, headed by Dr. Randy Miller, is to determine the source of the high-grade mineralization observed in outcrop and outline exploration drill targets. The Company expects to complete this field/research program by the end of 2011.

The Company's focus in the Port Hope Simpson REE District will be on six REE prospects including: the Foxtrot Prospect, Piperstock Hill, Toots Cove, Southern Shore, Pesky Hill Prospects and HighREE Island. Refer to the news release dated October 12, 2011 for details on the fall exploration program.

Henley Harbour Property

Henley Harbour occurs in the centre of six licenses that were map staked by the Company in April, 2010, on the southern coast of Labrador between Red Bay and Mary's Harbour. These six licenses, 017691M to 017696, contain a total of 659 claims (165 sq. km.).

A compilation of Government lake sediment results, mapping and geological reports, in combination with geological similarities with portions of the Port Hope Simpson REE district, indicate that this property has potential for REE. Geological models suggest that felsic pegmatites and associated low volume felsic intrusions/volcanic rocks have potential for REE mineralization in this area.

The property is underlain by Proterozoic felsic to intermediate intrusions and bands of supracrustal rocks, some of which are thought to be felsic volcanic rocks.

Most portions of the property occur within 5 km of the Trans Labrador Highway and/or 5 km of tidewater, providing excellent access to the property for exploration and development activities. The Company has carried out a modest reconnaissance program of prospecting, mapping and lithogeochemical sampling in this area. Compilation of this work and assay data for samples collected will lead to evaluation and planning for future work on this property.

Summary

From the many properties that Search now controls, the Company has elected to focus its near term exploration efforts on four properties: Red Wine Complex/ Letitia Lake; Strange Lake, Henley Harbour and Port Hope Simpson.

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.

TECHNOLOGY RESEARCH

Under the direction and guidance of Dr David Dreisinger, Search has been successful in leaching nickel and cobalt from two samples from two laterite deposits in Brazil. Proof of Concept has been established in using the starved acid leach technology ("SALT") on samples from a saprolite nickel deposit and tailings produced from a limonitic ore. In both cases nickel and cobalt were put into solution using this novel process which minimizes sulphuric acid consumption. Sulphuric acid is usually the largest cost component in treating nickel laterites. Sufficient progress had been made to proceed to the pilot plant stage.

On July 13, 2011, the Company entered into an agreement with Votorantim Metais Níquel S.A. and Votorantim Novos Negócios S.A., operating subsidiaries of Votorantim Participações S.A. (together, "Votorantim") whereby Votorantim and the Company agreed to work together to develop SALT at a pilot plant in Brazil and issue a final report on the SALT process.

The Company has granted Votorantim the exclusive and irrevocable right and option, exercisable for up to three years, to acquire a 50% undivided interest in a patent, if and when it is granted by Brazil's National Institute of Intellectual Property ("INPI"). The Company filed a patent application with INPI in early 2011. On exercise of the option, Votorantim would be entitled to an undivided 50% interest in the patent, which will entitle Votorantim to use and exploit the patent within Brazil in accordance with the terms of the agreement.

In order to maintain the option in good standing during the option period, Votorantim must fund the test work to be carried out at the Centro de Tecnologia Mineral ("CETEM") pilot plant and prepare a final report assessing the results of the test work. The Company will be paid an annual advance royalty of US$500,000 during the period from a construction decision until commercial production of mineral products within Brazil. The advanced royalty payments are deductible against an annual 0.75% net smelter return.

If Votorantim exercises the option and acquires a 50% interest in the SALT patent, Votorantim will be entitled to a one year exclusivity period during which neither party may further license the use of the SALT process to third parties within Brazil. Subsequent to such exclusivity period, both Votorantim and the Company will be entitled to further license the SALT process within Brazil, in which event, income generated from such licensing shall be shared on a 50/50 basis. If either party options or acquires a project within Brazil in respect of which the SALT process will be used, the other party will be entitled to elect to participate and fund its share of such project. In the event the other party elects not to participate, such party will be entitled to a 0.25% net smelter royalty.

Votorantim's rights in respect of the SALT process are exclusively within Brazil and will not impair Search's rights to exploit the technology for its sole benefit in other jurisdictions.

Subsequent to August 31, 2011, the pilot plant stage was nearly completed and aggregate bonus payments of $250,000 were paid to the Vendors.

RESULTS OF OPERATIONS

Nine months ended August 31, 2011

The Company incurred a net loss of $644,100 ($0.02 per share) for the nine months ended August 31, 2011 as compared to a net loss of $1,020,854 ($0.06 per share) for the 2010 period. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported net loss to produce an adjusted net loss that forms a better basis for comparing the period over period operating results of the Company.

	August 31, 2011 ($)	**August 31, 2010 ($)**
Net loss for the period as reported	(644,100)	(1,020,854)
Amortization	59,871	12,535
Stock-based compensation	886,145	470,284
Gain on option agreement	(818,800)	(43,886)
Gain on sale of marketable securities	(13,324)	-
Operator fee income	(83,107)	(38,757)
Technology research	197,201	186,288
Future income tax recovery	(312,500)	-
Adjusted net loss for the period [1]	(728,614)	(434,390)

[1] Adjusted net loss for the period is not a term recognized under GAAP.

- Amortization increased due to the additions in equipment since the nine months ended August 31, 2010. The equipment purchased is comprised mostly of mining exploration equipment as well as computer equipment.
- Stock-based compensation charged for the nine months ended August 31, 2011 resulted from the Company granting 2,435,000 stock options at a fair value of $0.37 per stock option. During the nine months ended August 31, 2010, the Company granted 1,475,000 stock options at a fair value of $0.32 per stock option. The increase in the fair value of an option has increased from the 2010 period to the 2011 period primarily due to the increase in the stock price of the Company on the respective grant dates.
- Gain on option agreement represents the value of the common shares ($655,000) and cash ($75,000) received from GWG in excess of the carrying value of the Red Wine Property and the value of shares ($88,800) received from Quest in excess of the carrying value of the Strange Lake Property.
- The gain on sale of marketable securities arose as a result of the Company selling shares of GWG, received pursuant to an option agreement.
- Operator fee income is the amount the Company has recorded with respect to acting as the operator for GWG's exploration program on the Company's Red Wine Property.
- Technology research costs during the nine months ended August 31, 2011 represent consulting fees, travel expenses and legal fees. During the nine months ended August 31, 2010, the Company paid proof of concept bonuses to the Vendors of the Technologies, as per the agreement.
- Future income tax recovery resulted from the Company renouncing an aggregate of $1,250,000 of exploration expenditures to subscribers of flow-through common shares effective December 31, 2010. The amount will not be available to the Company for future deduction from taxable income.

During the current period and the comparative period, the Company has been actively exploring its mineral properties in Newfoundland and Labrador. The increase in the net loss for the nine months ended August 31, 2011 as compared to the same period in 2010 is the net result of a number of differences in various expenses as follows:

- Accounting and audit fees decreased from $73,617 to $58,871. In the comparative period, the Company incurred additional fees to setup accounting systems for the Newfoundland and Labrador mineral properties.
- Administration expense and management fees increased from $106,984 to $177,822. The increase is due to an increase in compensation to management and administrative staff due to increased activity.
- Consulting fees increased from $98,111 to $114,238 due to an increase in various consulting fees offset by fees that have been capitalized to the mineral properties during the current period that were expensed in the comparative period ($20,500).
- Legal fees increased from $36,430 to $57,661 due to an increase in business transactions during the current period.
- Non-executive directors fees increased from $13,500 to $33,000 as the payment of these fees began in Q3 2010.
- Office and miscellaneous expenses increased from $58,405 to $156,094 due primarily to office administration costs due to increased activities, an increase in investor relations fees, as well as an increase in various miscellaneous expenses.
- Travel and accommodation expenses increased from $8,485 to $121,912 due to executive travel to South America, Asia and Europe in the current period.

Three months ended August 31, 2011 and 2010

	August 31, 2011 ($)	**August 31, 2010 ($)**
Net income (loss) for the period as reported	175,254	(347,468)
Amortization	27,406	6,882
Stock-based compensation	8,635	209,842
Gain on option agreement	(463,800)	(43,886)
Gain on sale of marketable securities	-	-
Operator fee income	(72,166)	(38,757)
Technology research	52,629	38,685
Adjusted net loss for the period (1)	(272,042)	(174,702)

(1) Adjusted net loss for the period is not a term recognized under GAAP.

The increase to the adjusted net loss recorded in the three months ended August 31, 2011 as compared to the three months ended August 31, 2010 is mainly the result of increased business activities as described in the section discussing the nine months ended August 31, 2011.

QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended August 31, 2011.

	Three Months Ended ($)			
	Aug 31, 2011	**May 31, 2011**	**Feb 28, 2011**	**Nov 30, 2010**
Total Revenues	-	-	-	-
Net Income (Loss)	175,254	(529,979)	(289,375)	(587,981)
Net Income (Loss) Per Share (basic and diluted)	0.00	(0.01)	(0.01)	(0.03)
Total Assets	16,313,184	15,254,797	14,986,826	5,996,760
Total Liabilities	1,454,751	553,001	625,575	1,621,346
Shareholders' Equity	14,858,433	14,701,796	14,361,251	4,375,414
	Three Months Ended ($)			
	Aug 31, 2010	**May 31, 2010**	**Feb 28, 2010**	**Nov 30, 2009**
Total Revenues	-	-	-	-
Net Loss	(347,468)	(169,230)	(504,156)	(97,462)
Net Loss Per Share (basic and diluted)	(0.02)	(0.01)	(0.04)	(0.01)
Total Assets	4,122,939	4,152,308	2,760,646	1,647,444
Total Liabilities	367,299	337,493	113,129	330,463
Shareholders' Equity	3,755,640	3,814,815	2,647,517	1,316,981

The increase in total assets during the three months ended February 28, 2011 was due to the proceeds from the issuance of common shares, net of issue costs, of $7,720,419 and subscriptions received of $2,277,500. The increase in total assets during the three months ended November 30, 2010 was due to the completion of a non-brokered private placement for gross proceeds of $1,000,000 and expenditures on the mineral properties. The increase in total assets during the three months ended May 31, 2010 and the three months ended February 28, 2010 were the result of the completion of three non-brokered private placements for gross proceeds of $1,252,000, $840,000 and $875,000.

The net loss for the three months ended August 31, 2011, May 31, 2011, February 28, 2011, November 30, 2010, August 31, 2010 and February 28, 2010 included stock-based compensation expense of $8,635, $516,717, $360,793, $122,780, $209,842 and $260,442, respectively. No stock-based compensation is included in any of the other quarters.

The three months ended August 31, 2011, May 31, 2011 and August 31, 2010 included gains on option agreements of $463,800, $355,000 and $43,886, respectively, as a result of receiving cash and shares from GWG and Quest in excess of the carrying value of the Red Wine Property and the Strange Lake Property. The net income recorded for the quarter ended August 31, 2011 was a result of the gain on option agreements of $463,800.

For the three months ended November 30, 2010 and November 30, 2009, the Company recorded write-downs of staking deposits and mineral properties of $222,887 and $61,934, respectively, as a result of abandoning certain licenses.

FINANCING ACTIVITIES

During the nine months ended August 31, 2011, the Company completed the following financings:

i) On January 6, 2011, the Company completed the first tranche of a non-brokered private placement of 1,222,222 units at a price of $0.45 per unit for gross proceeds of $550,000. 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 $0.70 per common share up to January 6, 2012, $0.80 per common share up to January 6, 2013 and $0.90 per common share up to January 6, 2014. A value of $6,111 has been attributed to the warrants using the residual method.

ii) On February 25, 2011, the Company completed the second tranche of a non-brokered private placement of 13,611,112 units at a price of $0.45 per unit for gross proceeds of $6,125,000. 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 $0.70 per common share up to February 25, 2012, $0.80 per common share up to February 25, 2013 and $0.90 per common share up to February 25, 2014. A value of $68,056 has been attributed to the warrants using the residual method.

iii) On March 7, 2011, the Company completed the third tranche of a non-brokered private placement of 3,888,886 units at a price of $0.45 per unit for gross proceeds of $1,749,999. 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 $0.70 per common share up to March 7, 2012, $0.80 per common share up to March 7, 2013 and $0.90 per common share up to March 7, 2014. A value of $19,444 has been attributed to the warrants using the residual method.

The Company incurred $105,665 of legal fees and other fees in connection with the January 6, 2011, February 25, 2011 and March 7, 2011 private placements.

In addition to the private placements completed during the nine months ended August 31, 2011, 4,063,667 warrants were exercised for gross proceeds of $2,031,834.

During the nine months ended August 31, 2010, the Company completed the following financings:

i) In February 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.

ii) In March 2010, the Company completed a non-brokered private placement of 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. A value of $12,000 has been attributed to the warrants using the residual method. The Company incurred $51,469 of legal fees and other fees in connection with the private placement.

iii) In May 2010, the Company completed a non-brokered private placement of 2,000,000 non flow-through units at a price of $0.50 per non flow-through unit and 420,000 flow-through units at a price of $0.60 per flow-through unit for aggregate gross proceeds of $1,252,000. Each non flow-through unit is comprised of one common share and one share purchase warrant. Each flow-through unit is comprised of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common of the Company at $0.75 per share up to May 31, 2012. A value of $12,100 has been attributed to the warrants using the residual method. The Company incurred $99,839 of legal fees and other fees in connection with the private placement.

In addition to the private placements completed during the nine months ended August 31, 2011, 100,000 stock options were exercised for gross proceeds of $20,000 and 237,030 warrants were exercised for gross proceeds of $46,460.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed approximately $843,000 of cash (before working capital items) for the nine months ended August 31, 2011 (2010 - $582,000) with an additional approximate $4,278,000 (2010 - $1,480,000) utilized on mineral property acquisitions, deferred exploration expenditures and the purchase of equipment. The cash requirement for the nine months ended August 31, 2011 was fulfilled from cash on hand at the beginning of the period as well as from $10,351,000 of cash raised from equity financings, net of issue costs, and the exercise of warrants.

The Company's aggregate operating, investing and financing activities during the nine months ended August 31, 2011 resulted in a net increase in its cash balance from $1,518,387 at November 30, 2010 to $6,635,384 at August 31, 2011. The Company's working capital increased by $5,972,184 correspondingly during the nine months ended August 31, 2011, and stood at $6,684,512 at August 31, 2011. The Company has accumulated losses since inception of $3,352,088.

The Company does not have any commitments for material capital expenditures over the near term or long term and none are presently contemplated in excess of normal operating requirements other than the $90,000 in remaining cash payments required for the Port Hope Simpson Property as described in Note 6 to the attached interim consolidated financial statements and the remaining $80,000 in remaining cash payments required for Fox Harbour Property as described in Note 6 to the attached interim consolidated financial statements.

The Company entered into option agreements with GWG and Quest during the year ended November 30, 2010. GWG has completed their exploration expenditures on the Red Wine Property in order to earn a 50% interest. Quest is committed to incurring $150,000 of exploration expenditures on or before June 14, 2012 in order to continue earning a 50% interest in the Strange Lake Property.

The Company has not put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. While there are presently no known specific trends, events or uncertainties that are likely to result in the Company's liquidity decreasing in any material way over the next twelve-month period, it is unlikely that cash will be generated from operations over this period. Since the Company is unlikely to have cash flow, it will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it. During the nine months ended August 31, 2011, the Company completed private placements and received proceeds from warrant exercises, resulting in the Company being well capitalized for the next twelve months, at a minimum.

TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended August 31, 2011 and 2010, 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:

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	**2011**	2010
Administration expense and management fees	**$ 50,000**	$ 37,500	**$ 145,833**	$ 92,500
Consulting fees	**33,250**	21,250	**33,250**	45,938
Non-executive directors fees	**9,000**	13,500	**33,000**	13,500
Technology research	**22,500**	14,264	**67,500**	152,500
Mineral property expenditures				
Other	**-**	-	**-**	16,628
Geological consulting	**43,750**	20,000	**140,417**	57,500
	$ 158,500	$ 106,514	**$ 420,000**	$ 378,566

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

At August 31, 2011, accounts payable and accrued liabilities included $166,837 (November 30, 2010: $93,971) 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Recently adopted accounting policies

Business combinations, consolidated financial statements and non-controlling interest

Effective December 1, 2010, the Company elected to early adopt CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, 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).

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).

To date there has been no impact on the Company's financial statements as a result of the adoption of these sections.

Future accounting changes

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. The Company expects its first consolidated financial statements presented in accordance with IFRS to be for the three-month period ended February 28, 2012, which includes presentation of its comparative results for fiscal 2011 under IFRS. In order to prepare for the changeover to IFRS, the Company has developed an IFRS conversion plan comprised of three phases:

PHASE	DESCRIPTION AND STATUS
PRELIMINARY PLANNING AND SCOPING	This phase involved the development of the IFRS conversion plan. The IFRS conversion plan included consideration of the impacts of IFRS on the Company's consolidated financial statements, internal control over financial reporting, information systems and business activities such as compensation metrics, and personnel and training requirements. Management expects minimal impact on information systems and compensation metrics from converting to IFRS. The IFRS conversion plan included a high level impact assessment of IFRS effective in 2010, as relevant to the Company. This initial assessment identified those standards of high or medium priority to the Company, based on a number of factors. The International Accounting Standards Board has activities currently underway which may, or will, change the standards effective upon the Company's adoption of IFRS, and therefore may impact this initial high level assessment. The Company will assess any such change as a component of its Detailed Impact Assessment phase and update its IFRS conversion plan as appropriate. The preliminary planning and scoping phase identified areas of conversion differences including stock-based compensation, income taxes and flow-through shares.

DETAILED IMPACT ASSESSMENT	This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or will result in accounting and/or disclosure differences in the Company's consolidated financial statements, along with quantification of impact on key line items and disclosures. The phase includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to IFRS and evaluation of the impact on outstanding operational elements such as debt covenants and budgeting. The Company has not as yet commenced its detailed review of IFRS relevant to the Company and identification of key differences. Preliminary analysis of the IFRS conversion impact on the financial statements has determined that there will be minimal, if any, adjustment required as a result of conversion to IFRS. The Company expects to complete this phase during the fourth quarter of fiscal 2011. As the Company has a November year end, it will be filings its first quarterly IFRS statements eleven months after the first quarterly IFRS statements are filed for TSX Venture issuers with December year ends.
IMPLEMENTATION	This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant consolidated financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS consolidated financial statements. The IFRS changeover may impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements effective December 1, 2011. The IFRS changeover will impact the related notes effective December 1, 2011. Continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects. The Company expects to complete the IFRS conversion process during the fourth quarter of fiscal 2011 in anticipation of the first consolidated financial statements to be filed using IFRS, the three months ended February 28, 2012 consolidated financial statements.

FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivable, marketable securities, and accounts payable and accrued liabilities. The Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. The other receivable is designated as loans and receivables, which is measured at amortized cost. The marketable securities are designated as available-for-sale financial assets, which are measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

The Company's investments in marketable securities are transacted in active markets. The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Level 2 valuation is based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of risks associated with financial assets and liabilities are detailed below:

<u>Credit Risk</u>

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.

<u>Commodity Price Risk</u>

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.

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. The Company's accounts payable and accrued liabilities are all due within several months.

<u>Market Risk</u>

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

a) Currency Risk

As at August 31, 2011 and November 30, 2010, 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.

b) *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.

c) *Price Risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company holds common shares of GWG and Quest. The Company is subject to price risk due to changes in the fair value of the GWG and Quest common shares. GWG and Quest are traded on the TSX-V. A 5% change in the fair value of the GWG and Quest shares would result in the Company incurring an unrealized gain/loss of approximately $36,000.

OUTSTANDING SHARE CAPITAL

Authorized: Unlimited number of common shares

Issued and outstanding: 46,686,772 common shares as at October 31, 2011.

Options and warrants outstanding as at October 31, 2011:

Security	Number	Exercise Price	Expiry Date
Stock Options	100,000	$0.200	May 3, 2012
Stock Options	450,000	$0.100	July 3, 2014
Stock Options	775,000	$0.400	February 16, 2015
Stock Options	540,000	$0.470	June 22, 2015
Stock Options	300,000	$0.550	November 8, 2015
Stock Options	875,000	$0.600	March 1, 2016
Stock Options	1,210,000	$0.485	March 31, 2016
Stock Options	300,000	$0.480	April 7, 2016
Share Purchase Warrants	2,420,000	$0.750	May 31, 2012
Share Purchase Warrants	2,144,000	$0.800	November 1, 2011
		$1.000	November 1, 2012
Share Purchase Warrants	1,222,222	$0.700	January 6, 2012
		$0.800	January 6, 2013
		$0.900	January 6, 2014
Share Purchase Warrants	13,611,112	$0.700	February 25, 2012
		$0.800	February 25, 2013
		$0.900	February 25, 2014
Share Purchase Warrants	3,888,886	$0.700	March 7, 2012
		$0.800	March 7, 2013
		$0.900	March 7, 2014

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the interim consolidated financial statements for the nine months ended August 31, 2011 and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The exploration and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not be successful in overcoming. Few mineral properties which are explored ultimately develop into producing mines. There has been no commercial production of minerals on properties held by the Company to date and there is a high degree of risk that commercial production of minerals will not be achieved.

Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The mining industry is intensely competitive. The commercial viability of a mineral deposit depends on a number of factors including the particular attributes of the deposits (principally size and grade), proximity to infrastructure, the impact of mine development on the environment, environmental regulations imposed by various levels of government and the competitive nature of the industry which causes mineral prices to fluctuate substantially over short periods of time. There can be no assurance that the minerals can be marketed profitably or in such a manner as to provide an adequate return on invested capital.

The operations of the Company are subject to all of the risks normally associated with the operation and development of mineral properties and the development of a mine, including encountering unexpected formations or pressures, caving, flooding, fires and other hazards, all of which could result in personal injuries, loss of life and damage to property of the Company and others. In accordance with customary industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable.

The operations of the Company's properties will be subject to various laws and regulations relating to the environment, prospecting, development, production, waste disposal and other matters. Amendments to current laws and regulations governing activities related to the Company's mineral properties may have material adverse impact on operations.

The Company will need additional funding to complete its long term objectives. The ability of the Company to raise such financing in the future will depend on the prevailing market conditions, competition with other REE exploration stage companies, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

The Company's working capital and liquidity fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the its resource property acquisition agreements. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interests in the properties covered by the agreements. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments.

All of the Company's mineral properties are in the exploration stage and without known reserves. Exploration and development of natural resources involve substantial expenditures and a high degree of risk. Few properties which are explored are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes off its mineral properties from time to time, and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

The development of the SALT process depends on a number of factors, including the ability to have a patent approved in various jurisdictions, the ability to enforce the patent in these jurisdictions, the ability to apply the process to mineral resources and the recovery of smelter royalties, if any. Additional risks and uncertainties relate to the development, application, marketing and financing of the SALT process.

OTHER INFORMATION

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at http://www.searchminerals.ca.