SEARCH MINERALS INC.
(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2012 AND 2011

(Unaudited – expressed in Canadian dollars)

Search Minerals Inc. (An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

Three months ended February 29, 2012 and 2011

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed 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)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – expressed in Canadian dollars)

	Note	**February 29, 2012 $**	November 30, 2011 $	December 1, 2010 $
ASSETS				
Current				
Cash and cash equivalents		**1,010,777**	3,547,916	1,518,387
HST recoverable		**608,111**	410,194	314,396
Other receivable	**9**	**546,804**	753,272	427,337
Marketable securities	**6**	**-**	405,500	40,000
Other assets		**64,003**	93,065	33,554
		2,229,695	5,209,947	2,333,674
Equipment	**7**	**193,313**	210,791	116,214
Reclamation deposits		**50,000**	50,000	-
Staking deposits	**8**	**143,565**	288,350	306,659
Mineral properties and deferred exploration (Schedule 1)	**9**	**11,873,969**	10,389,602	3,240,213
		14,490,542	16,148,690	5,996,760
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Current				
Accounts payable and accrued liabilities	**10,13**	**867,440**	2,085,590	1,653,846
Equity attributable to shareholders				
Share capital	**11**	**16,636,785**	16,539,085	6,037,597
Warrants		**166,208**	166,208	97,097
Contributed surplus		**1,681,488**	1,659,276	673,608
Accumulated other comprehensive (loss) income		**-**	(115,023)	20,500
Deficit		**(4,861,379)**	(4,186,446)	(2,485,888)
		13,623,102	14,063,100	4,342,914
		14,490,542	16,148,690	5,996,760

Nature of Operations and Going Concern (Note 1)
Commitments (Notes 9 and 11)
Subsequent Events (Notes 9, 11 and 16)

On behalf of the Board:

"James Patterson"	Director	*"James Clucas"*	Director
James Patterson		James Clucas	

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the three months ended February 29, 2012 and February 28, 2011
(Unaudited – expressed in Canadian dollars)

	Note	2012 $	2011 $
GENERAL AND ADMINISTRATIVE EXPENSES			
Accounting and audit		**26,666**	20,543
Administration expense and management fees	**13**	**74,280**	41,345
Amortization		**19,507**	11,798
Consulting fees	**13**	**52,420**	18,103
Legal fees		**8,466**	12,962
Non-executive directors fees	**13**	**9,000**	13,500
Office and miscellaneous		**106,665**	38,372
Regulatory and transfer agent fees		**10,660**	12,500
Rent		**6,609**	8,100
Share-based payments	**11(c)**	**27,912**	360,793
Travel and accommodation		**20,468**	9,352
Loss for the period before other items		**(362,653)**	(547,368)
Other income (expense) items			
Loss on sale of marketable securities	**6**	**(153,326)**	-
Interest income		**5,184**	1,368
Operator fee income	**9**	**3,594**	1,558
Technology research	**12,13**	**(167,732)**	(57,433)
Loss for the period before income taxes		**(674,933)**	(601,875)
Deferred income tax recovery		**-**	32,500
Loss for the period		**(674,933)**	(569,375)
Other comprehensive (loss) income for the period			
Unrealized (loss) gain on marketable securities	**6**	**(38,303)**	49,000
Realized loss on marketable securities	**6**	**153,326**	-
Comprehensive loss for the period		**(559,910)**	(520,375)
Basic and diluted loss per share		**(0.01)**	(0.02)
Weighted average number of common shares outstanding		**46,912,596**	25,519,095

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended February 29, 2012 and February 28, 2011
(Unaudited – expressed in Canadian dollars)

	2012 **$**	2011 $
Cash (used in) provided by		
OPERATING ACTIVITIES		
Net loss for the period	**(674,933)**	(569,375)
Items not affecting cash:		
Amortization	**19,507**	11,798
Deferred income tax recovery	**-**	(32,500)
Loss on sale of marketable securities	**153,326**	-
Share-based payments	**27,912**	360,793
	(474,188)	(229,284)
Changes in non-cash working capital items:		
HST recoverable	**(197,917)**	122,090
Other assets	**29,062**	10,202
Accounts payable and accrued liabilities	**(12,950)**	(39,410)
	(655,993)	(136,402)
INVESTING ACTIVITIES		
Mineral property costs, net	**(2,607,567)**	(1,903,423)
Other receivables	**206,468**	427,337
Proceeds from sale of marketable securities	**367,197**	-
Purchase of equipment	**(2,029)**	(4,582)
Staking costs, net of recoveries	**144,785**	(10,282)
	(1,891,146)	(1,490,950)
FINANCING ACTIVITIES		
Issuance of common shares	**10,000**	7,756,834
Share issue costs	**-**	(36,415)
Share subscriptions received	**-**	2,277,500
	10,000	9,997,919
(Decrease) increase in cash and cash equivalents during the period	**(2,537,139)**	8,370,567
Cash and cash equivalents, beginning of the period	**3,547,916**	1,518,387
Cash and cash equivalents, end of the period	**1,010,777**	9,888,954
Cash and cash equivalents are comprised of:		
Cash	**158,188**	9,888,954
Cash equivalents	**852,589**	-
Cash paid for interest	**-**	-
Cash paid for income taxes	**-**	-

Non-cash Transactions (Note 15)

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended February 29, 2012 and February 28, 2011
(Unaudited – expressed in Canadian dollars)

	Issued Share Capital							
	Number of Shares	Amount $	Subscriptions Received $	Warrants $	Contributed Surplus $	AOCI $	Deficit $	Total Shareholders' Equity $
Balance, December 1, 2010	23,620,885	6,037,597	-	97,097	673,608	20,500	(2,485,888)	4,342,914
For cash pursuant to private placements of units	14,833,334	6,600,833	1,750,000	74,167	-	-	-	8,425,000
Less: Issue costs – cash	-	(36,415)	-	-	-	-	-	(36,415)
Pursuant to mineral property agreements (Note 9)	250,000	180,000	-	-	-	-	-	180,000
Pursuant to warrant exercises	2,163,667	1,081,834	527,500	-	-	-	-	1,609,334
Transfer on exercise of warrants	-	10,818	-	(10,818)	-	-	-	-
Transfer on expiry of warrants	-	-	-	(1,682)	1,682	-	-	-
Share-based payments	-	-	-	-	360,793	-	-	360,793
Comprehensive loss for the period	-	-	-	-	-	49,000	(569,375)	(520,375)
Balance, February 28, 2011	40,867,886	13,874,667	2,277,500	158,764	1,036,083	69,500	(3,055,263)	14,361,251
Balance, November 30, 2011	46,686,772	16,539,085	-	166,208	1,659,276	(115,023)	(4,186,446)	14,063,100
Pursuant to mineral property agreements (Note 9)	350,000	82,000	-	-	-	-	-	82,000
Pursuant to option exercises	100,000	10,000	-	-	-	-	-	10,000
Transfer on exercise of options	-	5,700	-	-	(5,700)	-	-	-
Share-based payments	-	-	-	-	27,912	-	-	27,912
Comprehensive loss for the period	-	-	-	-	-	115,023	(674,933)	(559,910)
Balance, February 29, 2012	**47,136,772**	**16,636,785**	**-**	**166,208**	**1,681,488**	**-**	**(4,861,379)**	**13,623,102**

1. Nature of Operations and 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") under the trading symbol "SMY". 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. At February 29, 2012, the Company was in the exploration stage and had properties located in Canada. The Company's corporate head office is located at 1320 – 885 West Georgia Street, Vancouver, British Columbia, Canada.

The Company is currently exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The amounts shown as mineral properties represent costs incurred to date, less amounts recovered from third parties and/or written-down, and do not necessarily represent current or future fair values.

These condensed interim consolidated financial statements have been on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations 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. Such adjustments could be material. At February 29, 2012, the Company had not yet achieved profitable operations, had an accumulated deficit of $4,861,379 since inception and expects to incur further losses in the development of its business. 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 ongoing levels of corporate overhead and commitments, keep its property in good standing and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2 Basis of Presentation and Adoption of International Financial Reporting Standards

Statement of compliance and conversion to International Financial Reporting Standards

These condensed interim consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 and IFRS 1. Subject to certain transition elections disclosed in Note 17, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at December 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 17 discloses the impact of the transition to IFRS on the Company's reported statements of financial position, loss and comprehensive loss, changes in equity and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended November 30, 2011. Comparative figures for fiscal 2011 in these financial statements have been restated to give effect to these changes.

Previously, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 22, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending November 30, 2012 could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended November 30, 2011.

(Unaudited – expressed in Canadian dollars)

Basis of presentation

The Company's condensed interim consolidated financial statements have been prepared on the historical cost basis. The comparative figures presented in these condensed interim consolidated financial statements are in accordance with IFRS and any changes from figures previously reported under Canadian GAAP have been disclosed in Note 17.

3. Significant Accounting Policies

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Details of the subsidiary are as follows:

		Percentage owned	
	Incorporated in	**February 29, 2012**	**February 28, 2011**
Alterra Resources Inc.	Canada	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks, lawyer's trust accounts and all investments that are highly liquid in nature and are redeemable for cash within three months or less, at acquisition, which are readily convertible into known amounts of cash at the Company's option.

Equipment and amortization

The Company records its acquisition of equipment at cost. The Company provides for amortization, once the assets are in use, over their estimated useful lives on the declining balance method at a rate of 30% per year for vehicles, 20% per year for buildings, 20% to 55% for office furniture and equipment and 40% for field equipment.

Mineral properties and deferred exploration

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through income and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss).

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in income or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in income or loss.

Impairment

At the end of each reporting period the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in income or loss.

Decommissioning and restoration provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the legal or constructive obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value. These costs are charged against income or loss over the economic life of the related asset, through amortization using the unit-of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in income or loss.

Decommissioning costs are also adjusted for changes in estimates or changes in applicable discount rates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in income or loss.

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

The company has adopted a residual value method with respect to the measurement of shares and warrants issued as units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the announcement date. The balance, if any, was allocated to the attached warrants.

Revenue recognition

Interest income is recorded as earned. Operator fee income collected from joint venture partners is recorded on the statement of operations in the period earned to offset the expenses incurred.

Income taxes

Income tax on the income or loss for the periods presented comprises current and deferred tax. Income tax is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable incomes will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

For the three months ended February 29, 2012 and February 28, 2011, potentially dilutive common shares (relating to share purchase options and warrants outstanding) totaling 27,811,220 (2011: 24,882,334) were not included in the computation of loss per share because their effect was anti-dilutive.

Foreign currencies

The financial statements for the Company and its subsidiary are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars. The functional currency of Search Minerals Inc. and Alterra Resources Inc. is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of operations.

The balance sheet of each subsidiary is translated into Canadian dollars using the exchange rate at the balance sheet date and the income statement is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income.

Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in accounts payables and accrued liabilities. Upon incurring qualifying expenditures and renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

Share-based payments

The Company has established a stock option plan for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates as described in Note 11.

The fair value of all stock options granted is recorded as a charge to operations with a credit to contributed surplus under the graded attribution method. The fair value, as adjusted for the expected level of vesting of the options and of stock options which vest immediately is recorded at the date of grant; the fair value, as adjusted for the expected level of vesting of the options and of options which vest in the future is recognized over the vesting period. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to consultants is recognized as share-based payment expense from the date of grant to the reporting date and credited to contributed surplus. Warrants issued to brokers are measured at their fair value on the vesting date and are recognized as a deduction from equity and credited to contributed surplus. The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model.

Any consideration received on the exercise of stock options or warrants together with the related portion of contributed surplus is credited to share capital.

Research and development costs

All research and development costs are expensed when incurred unless they meet specific criteria for deferral and amortization. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project.

4. Accounting Standards Issued But Not Yet Effective

Unless otherwise noted, the following revised standards and amendments are effective for the Company for annual periods beginning on or after January 1, 2013 (unless otherwise noted) with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

(i) IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

(Unaudited – expressed in Canadian dollars)

(iii) IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

5. Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements:
(i) The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year. The factors considered by management are disclosed in Note 1.
(ii) The assessment of indicators of impairment for the mineral property.

6. Marketable Securities

The Company has received common shares of Great Western Minerals Group Ltd. ("GWG") and Quest Rate Minerals Ltd. ("Quest") pursuant to mineral property option agreements (Note 9). The shares have been classified as available-for-sale financial instruments and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income.

During the three months ended February 29, 2012, the Company sold 645,000 common shares of GWG for proceeds of $336,531 and 10,000 common shares of Quest for proceeds of $30,666 and accordingly, the Company recognized losses on sale of marketable securities of $153,326.

At February 29, 2011, the Company had no marketable securities. At November 30, 2011, the Company had 645,000 common shares of GWG with a fair value of $374,100. At November 30, 2011, the Company had 10,000 common shares of Quest with a fair value of $31,400. The aggregate fair value of marketable securities at November 30, 2011 was $405,500.

7. Equipment

	Vehicles $	Buildings $	Office furniture and equipment $	Field equipment $	Total $
At December 1, 2010					
Cost	13,771	10,000	8,678	130,572	163,021
Accumulated amortization	(9,756)	(500)	(4,083)	(32,468)	(46,807)
Net book value	4,015	9,500	4,595	98,104	116,214
Year ended November 30, 2011					
At December 1, 2010	4,015	9,500	4,595	98,104	116,214
Additions	120,957	-	24,245	75,073	220,275
Disposals	(38,252)	-	-	-	(38,252)
Amortization	(14,295)	(1,900)	(11,263)	(59,988)	(87,446)
At November 30, 2011	72,425	7,600	17,577	113,189	210,791

(Unaudited – expressed in Canadian dollars)

At November 30, 2011					
Cost	93,375	10,000	32,923	205,645	341,943
Accumulated amortization	(20,950)	(2,400)	(15,346)	(92,456)	(131,152)
Net book value	72,425	7,600	17,577	113,189	210,791
Three months ended February 29, 2012					
At November 30, 2011	72,425	7,600	17,577	113,189	210,791
Additions	-	-	2,029	-	2,029
Amortization	(5,432)	(380)	(2,376)	(11,319)	(19,507)
At February 29, 2012	66,993	7,220	17,230	101,870	193,313
At February 29, 2012					
Cost	93,375	10,000	34,952	205,645	343,972
Accumulated amortization	(26,382)	(2,780)	(17,722)	(103,775)	(150,659)
Net book value	66,993	7,220	17,230	101,870	193,313

8. Staking Deposits

Staking security deposits are refundable if certain exploration expenditure 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, December 1, 2010	306,659
Additions	112,702
Recoveries	(124,786)
Write-down of staking deposits	(6,225)
Balance, November 30, 2011	288,350
Additions	9,675
Recoveries	(154,460)
Balance, February 29, 2012	143,565

9. Mineral Properties – Schedule 1

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.

The Company acquired the mineral properties primarily by staking the claims. In order to maintain title to the claims, the Company must incur minimum exploration expenditures per claim as specified by the Mineral Act of the Province of Newfoundland and Labrador. In lieu of incurring the minimum expenditures, the Company may make security deposits with the Government of Newfoundland and Labrador (Note 8). Other commitments relating to mineral properties are as follows:

Port Hope Simpson REE District, Labrador

B and A Claims

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, B and A Claims").

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in Port Hope Simpson, B and A Claims, the Company must pay B and A an aggregate of $140,000. At February 29, 2012, the Company had paid an aggregate of $90,000 (November 30, 2011: $50,000; December 1, 2010: $20,000). The Company must pay an additional $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 the fair value of $80,000, 250,000 common shares on January 14, 2011 at the fair value of $180,000 and 300,000 common shares on January 16, 2012 at the fair value of $69,000. The Company must issue an additional 350,000 shares on or before January 14, 2013.

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

Fox Harbour Property

On January 13, 2011, the Company entered into a binding letter of intent (the "LOI") with Andrew Quinlan, Roland Quinlan and Tony Quinlan (the "Vendors"). Pursuant to the LOI, the Company has the option to earn an undivided 100% interest in and to certain claims owned by the Vendors known as the Fox Harbour Claims (the "Fox Harbour Property"). The Fox Harbour Property is comprised of three licenses totaling forty eight (48) claims located east of St. Lewis, Labrador.

Under the terms of the LOI, the Company may earn the undivided 100% interest in Fox Harbour Property by making aggregate cash payments of $90,000 and issue an aggregate of 300,000 common shares of the Company over a period of four years as follows:

- pay $10,000 (paid) and issue 30,000 common shares on or before February 25, 2011 (issued at the fair value of $13,500);
- pay $15,000 (paid) and issue 50,000 common shares on or before February 25, 2012 (issued at the fair value of $13,000);
- pay $20,000 and issue 70,000 common shares on or before February 25, 2013;
- pay $30,000 and issue 100,000 common shares on or before February 25, 2014; and,
- pay $15,000 and issue 50,000 common shares on or before February 25, 2014 or, at the sole discretion of the Company, pay $100,000.

The Vendors were granted a 1.5% net smelter return royalty. The Company may, at any time, purchase 1% of the net smelter return royalty for $1,000,000.

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, issued an aggregate of 1,050,000 GWG common shares (aggregate fair value of $694,000) and funded exploration programs of an aggregate of $1,500,000 of exploration expenditures. On June 28, 2011, the Company announced that GWG had earned a 50% interest in the Red Wine Property. GWG and the Company have a joint venture, with the Company currently acting as the operator.

GWG pays the Company a 5% to 10% operator fee, payable in cash. During the three months ended February 29, 2012, the Company recorded $3,594 of operator fee income (2011: $1,558).

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.

At February 29, 2012, other receivable of $546,804 was comprised of mineral exploration expenditures incurred by the Company on behalf of GWG (November 30, 2011: $753,272; December 1, 2010: $427,337). Subsequent to February 29, 2012, the Company received $400,000.

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 at the fair value of $4,700). The mineral claims are located adjacent to the Company's Strange Lake Property.

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 located on 750 hectares in western Labrador in the Province of Newfoundland and Labrador.

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 as follows:

- 10,000 common shares of Quest on June 22, 2010, 2010 (received at the fair value of $21,400);
- 15,000 common shares of Quest on or before June 22, 2011 (received at the fair value of $88,800);
- 25,000 common shares of Quest on or before June 22, 2012; and,
- 40,000 common shares of Quest on or before June 22, 2013.

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 ("NSR 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.

(Unaudited – expressed in Canadian dollars)

10. Accounts Payable and Accrued Liabilities

	February 29, 2012 $	November 30, 2011 $	December 1, 2010 $
Trade payables	**818,444**	1,944,906	1,527,375
Due to related parties (Note 13)	**48,996**	140,684	93,971
Flow-through tax liability	**-**	-	32,500
Total accounts payable and accrued liabilities	**867,440**	2,085,590	1,653,846

11. Share Capital

a. Common shares authorized

Unlimited number of common shares

47,136,772 outstanding at February 29, 2012 (November 30, 2011: 46,686,772; December 1, 2010: 23,620,885)

b. Financings

During the three months ended February 29, 2012, the Company did not complete any financings.

During the year ended November 30, 2011:

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 $75,552 of legal fees and other fees in connection with the January 6, 2011, February 25, 2011 and March 7, 2011 private placements.

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-V. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company.

(Unaudited – expressed in Canadian dollars)

Changes in share purchase options during the three months ended February 29, 2012 and the year ended November 30, 2011 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, December 1, 2010	2,250,000	$0.37	4.16
Granted	2,435,000	$0.53	
Forfeited	(110,000)	$0.46	
Outstanding, November 30, 2011	4,575,000	$0.45	3.76
Granted	155,000	$0.26	
Exercised	(100,000)	$0.10	
Forfeited	(105,000)	$0.48	
Outstanding and exercisable, February 29, 2012	4,525,000	$0.44	3.57

During the three months ended February 29, 2012, the weighted average stock price of the date of option exercise was $0.28.

At February 29, 2012, 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
(1) 100,000	$0.20	May 3, 2012
350,000	$0.10	July 3, 2014
(2) 775,000	$0.40	February 16, 2015
(2) 525,000	$0.47	June 22, 2015
(2) 300,000	$0.55	November 8, 2015
875,000	$0.60	February 25, 2016
(2) 1,145,000	$0.485	March 31, 2016
300,000	$0.48	April 7, 2016
155,000	$0.26	January 19, 2017
4,525,000		

(1) Subsequent to February 29, 2012, these options were exercised for gross proceeds of $20,000.
(2) Subsequent to February 29, 2012, 63,000 options were forfeited.

During the three months ended February 29, 2012, the Company recorded share-based payment expense of $27,912 (2011: $360,793). The weighted average fair value of share purchase options granted during the three months ended February 29, 2012 of $0.18 (2011: $0.41) per option was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

(Unaudited – expressed in Canadian dollars)

	2012	2011
Risk-free interest rate	1.85%	1.98%
Expected life	4.0 years	4.0 years
Expected volatility	107%	116%
Expected dividends	Nil	Nil

Expected volatility was determined by reference to the historical volatility since the Company began trading on the TSX-V.

d. Warrants

Changes in share purchase warrants during the three months ended February 29, 2012 and the year ended November 30, 2011 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, December 1, 2010	9,464,000	$0.63	0.94
Issued	18,722,220	$0.70	
Exercised	(4,063,667)	$0.50	
Expired	(836,333)	$0.50	
Balance, November 30, 2011	23,286,220	$0.73	1.94
Balance, February 29, 2012	23,286,220	$0.80	1.69

At February 29, 2012, 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
2,420,000	$0.75	May 31, 2012
2,144,000	$1.00	November 1, 2012
(1) 1,222,222	$0.80	January 6, 2013
	$0.90	January 6, 2014
(1) 13,611,112	$0.80	February 25, 2013
	$0.90	February 25, 2014
(1) 3,888,886	$0.70	March 7, 2012
	$0.80	March 7, 2013
	$0.90	March 7, 2014
23,286,220		

(1) These warrants have an exercise price of $0.70 per share for the first year, $0.80 for the second year and $0.90 for the third year.

e. Escrow

As a result of the acquisition of Alterra Resources Inc., the Qualifying Transaction as defined by the TSX-V (the "QT"), in October, 2008, an aggregate of 2,985,000 common shares were placed in escrow. 10% of the escrowed shares (298,500 shares) were released on completion and approval of the QT. An additional 15% (447,750 shares) of the aggregate escrowed common shares were released on each six month anniversary of the completion of the QT. As at February 29, 2012 and November 30, 2011, the Company had released all common shares from escrow. At December 1, 2010, 895,500 shares were held in escrow.

f. Flow-through Shares

During May 2010, the Company issued 420,000 flow-through units at $0.60 per flow-through unit for gross proceeds of $252,000. In connection with this, the Company incurred aggregate eligible Canadian Exploration Expenditures of $252,000 prior to November 30, 2010.

During November 2010, the Company issued 2,000,000 flow-through units at a price of $0.50 flow-through unit for gross proceeds of $1,000,000, of which $998,000 applies to the flow-through shares. The Company incurred aggregate eligible Canadian Exploration Expenditures in this amount prior to December 31, 2011.

During the year ended November 30, 2011, the Company renounced an aggregate of $1,250,000 to the subscribers effective December 31, 2010. The amount will not be available to the Company for future deduction from taxable income.

12. 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.

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 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 the Starved Acid Leaching Technology ("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.

(Unaudited – expressed in Canadian dollars)

During the three months ended February 29, 2012, the Company incurred technology research expense of $167,732 (2011: $57,433).

13. Related Party Transactions

During the three months ended February 29, 2012 and February 28, 2011, 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	
	February 29, 2012 $	February 28, 2011 $
Administration expense and management fees	**50,000**	37,500
Consulting fees	**21,500**	-
Non-executive directors fees	**9,000**	13,500
Technology research	**99,510**	22,500
Mineral property expenditures		
Geological consulting	**72,917**	30,000
	252,927	103,500

At February 29, 2012, accounts payable and accrued liabilities included $48,996 (November 30, 2011: $140,684; December 1, 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.

Key management includes the Chief Executive Officer and the directors of the Company. The compensation paid or payable to key management for services during the three months ended February 29, 2012 and February 28, 2011 is as follows:

	Three months ended	
	February 29, 2012 $	February 28, 2011 $
Administration expense and management fees	**50,000**	37,500
Consulting fees	**21,500**	-
Non-executive directors fees	**9,000**	13,500
Share-based payments	**13,506**	-
Technology research	**99,510**	22,500
Mineral property expenditures		
Geological consulting	**72,917**	30,000
	266,433	103,500

14. 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 and other receivable as loans and receivables, which are 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 February 29, 2012, November 30, 2011 and December 1, 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 has no financial instruments subject to price risk.

15. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the three months ended February 29, 2012 the following transactions were excluded from the statement of cash flows:

a) deferred exploration expenditures of $746,266 included in accounts payable and accrued liabilities at February 29, 2012, less expenditures included in accounts payable at November 30, 2011 of $1,951,466 (net inclusion of $1,205,200);

b) the issuance by the Company of 350,000 shares at the fair value of $82,000 pursuant to a mineral property option agreement; and,

c) the transfer of $5,700, the value of options exercised during the period, from contributed surplus to share capital.

During the three months ended February 28, 2011 the following transaction was excluded from the statement of cash flows:

a) deferred exploration expenditures of $525,438 included in accounts payable and accrued liabilities at February 28, 2011, less expenditures included in accounts payable at November 30, 2010 of $1,481,799 (net inclusion of $956,361);

b) the issuance by the Company of 250,000 shares at the fair value of $180,000 pursuant to a mineral property option agreement;

c) the transfer of $10,818, the value of warrants exercised during the period, from warrants to share capital; and,

d) the transfer of $1,682, the value of warrants expired during the period, from warrants to contributed surplus.

16. Subsequent Events

Subsequent events are disclosed in Notes 9 and 11(c).

(Unaudited – expressed in Canadian dollars)

17. First-time Adoption of IFRS

The Company adopted IFRS on December 1, 2011 with the transition date of December 1, 2010 (the "Transition Date"). Under IFRS 1 'First-time Adoption of International Financial Reporting Standards', the IFRS are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied. The Company has chosen to apply the following elections to:

a) Not apply IFRS 2, 'Share-based Payments', to liabilities arising from share-based payment transactions that were settled before the Transition Date or to equity instruments fully vested before the Transition Date.

Reconciliation of the Statement of Financial Position at December 1, 2010 – Transition Date

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
ASSETS				
Current				
Cash and cash equivalents		1,518,387	-	1,518,387
HST recoverable		314,396	-	314,396
Other receivable		427,337	-	427,337
Marketable securities		40,000	-	40,000
Other assets		33,554	-	33,554
		2,333,674	-	2,333,674
Equipment		116,214	-	116,214
Staking deposits		306,659	-	306,659
Mineral properties and deferred exploration		3,240,213	-	3,240,213
		5,996,760	-	5,996,760
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Current				
Accounts payable and accrued liabilities	**(i)**	1,621,346	32,500	1,653,846
Equity attributable to shareholders				
Share capital	**(i)**	6,292,197	(254,600)	6,037,597
Warrants		97,097	-	97,097
Contributed surplus		673,608	-	673,608
Accumulated other comprehensive income		20,500	-	20,500
Deficit	**(i)**	(2,707,988)	222,100	(2,485,888)
		4,375,414	(32,500)	4,342,914
		5,996,760	-	5,996,760

(Unaudited – expressed in Canadian dollars)

Reconciliation of the Statement of Financial Position at February 28, 2011

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
ASSETS				
Current				
Cash and cash equivalents		9,888,954	-	9,888,954
HST recoverable		192,306	-	192,306
Marketable securities		89,000	-	89,000
Other assets		23,352	-	23,352
		10,193,612	-	10,193,612
Equipment		108,998	-	108,998
Staking deposits		316,941	-	316,941
Mineral properties and deferred exploration		4,367,275	-	4,367,275
		14,986,826	-	14,986,826
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Current				
Accounts payable and accrued liabilities		625,575	-	625,575
Equity attributable to shareholders				
Share capital	**(i)**	13,816,767	57,900	13,874,667
Subscriptions received		2,277,500	-	2,277,500
Warrants		158,764	-	158,764
Contributed surplus		1,036,083	-	1,036,083
Accumulated other comprehensive income		69,500	-	69,500
Deficit	**(i)**	(2,997,363)	(57,900)	(3,055,263)
		14,361,251	-	14,361,251
		14,986,826	-	14,986,826

(Unaudited – expressed in Canadian dollars)

Reconciliation of the Statement of Financial Position at November 30, 2011

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
ASSETS				
Current				
Cash and cash equivalents		3,547,916	-	3,547,916
HST recoverable		410,194	-	410,194
Other receivable		753,272	-	753,272
Marketable securities		405,500	-	405,500
Other assets		93,065	-	93,065
		5,209,947	-	5,209,947
Equipment		210,791	-	210,791
Reclamation deposits		50,000	-	50,000
Staking deposits		288,350	-	288,350
Mineral properties and deferred exploration		10,389,602	-	10,389,602
		16,148,690	-	16,148,690
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Current				
Accounts payable and accrued liabilities		2,085,590	-	2,085,590
Equity attributable to shareholders				
Share capital	**(i)**	16,481,185	57,900	16,539,085
Warrants		166,208	-	166,208
Contributed surplus		1,659,276	-	1,659,276
Accumulated other comprehensive loss		(115,023)	-	(115,023)
Deficit	**(i)**	(4,128,546)	(57,900)	(4,186,446)
		14,063,100	-	14,063,100
		16,148,690	-	16,148,690

(Unaudited – expressed in Canadian dollars)

Reconciliation of the Statement of Comprehensive Loss for the Three Months Ended February 28, 2011

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit		20,543	-	20,543
Administration expense and management fees		41,345	-	41,345
Amortization		11,798	-	11,798
Consulting fees		18,103	-	18,103
Legal fees		12,962	-	12,962
Non-executive directors fees		13,500	-	13,500
Office and miscellaneous		38,372	-	38,372
Regulatory and transfer agent fees		12,500	-	12,500
Rent		8,100	-	8,100
Share-based payments		360,793	-	360,793
Travel and accommodation		9,352	-	9,352
Loss for the period before other items		(547,368)	-	(547,368)
Other income (expense) items				
Interest income		1,368	-	1,368
Operator fee income		1,558	-	1,558
Technology research		(57,433)	-	(57,433)
Loss for the period before income taxes		(601,875)	-	(601,875)
Deferred income tax recovery	**(i)**	312,500	(280,000)	32,500
Loss for the period		(289,375)	(280,000)	(569,375)
Other comprehensive income for the period				
Unrealized gain on marketable securities		49,000	-	49,000
Comprehensive loss for the period		(240,375)	(280,000)	(520,375)

(Unaudited – expressed in Canadian dollars)

Reconciliation of the Statement of Comprehensive Loss for the Year Ended November 30, 2011

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit		110,673	-	110,673
Administration expense and management fees		250,434	-	250,434
Amortization		87,446	-	87,446
Consulting fees		158,858	-	158,858
Legal fees		61,771	-	61,771
Non-executive directors fees		42,000	-	42,000
Office and miscellaneous		270,846	-	270,846
Regulatory and transfer agent fees		31,831	-	31,831
Rent		30,263	-	30,263
Share-based payments		981,486	-	981,486
Travel and accommodation		153,374	-	153,374
Loss for the year before other items		(2,178,982)	-	(2,178,982)
Other income (expense) items				
Gain on option agreements		818,800	-	818,800
Loss on sale of marketable securities		(11,652)	-	(11,652)
Interest income		49,613	-	49,613
Gain on disposal of equipment		2,783	-	2,783
Operator fee income		79,718	-	79,718
Technology research		(487,113)	-	(487,113)
Write-down of staking deposits		(6,225)	-	(6,225)
Loss for the year before income taxes		(1,733,058)	-	(1,733,058)
Deferred income tax recovery	**(i)**	312,500	(280,000)	32,500
Loss for the year		(1,420,558)	(280,000)	(1,700,558)
Other comprehensive (loss) income for the year				
Unrealized loss on marketable securities		(147,175)	-	(147,175)
Realized loss on marketable securities		11,652	-	11,652
Comprehensive loss for the year		(1,556,081)	(280,000)	(1,836,081)

Notes to reconciliations

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company.

i) Flow-through shares

Under Canadian GAAP, the entire net proceeds from the issuance of flow-through shares were recognized in equity. Upon renunciation of the tax benefits associated with the related expenditures, a deferred tax liability was recognized and shareholders' equity reduced.

Under IFRS, proceeds from the issuance of flow-through shares are segregated as follows: the estimated premium investors pay for the flow-through feature, if any, is recorded as a flow-through tax liability; and, the remaining net proceeds are recorded as share capital. Upon renunciation of the tax benefits associated with the related expenditures and as qualifying expenditures are incurred, a deferred tax liability is recognized and the flow-through tax liability is reversed with any difference being recorded as a deferred tax recovery (expense). To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

At the Transition Date, accounts payable and accrued liabilities increased by $32,500, share capital decreased by $254,600 and deficit (deferred tax recovery in prior years) decreased by $222,100. At February 28, 2011 and November 30, 2011, share capital and deficit increased by $57,900.

Statement of Cash Flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents.

Search Minerals Inc.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the three months ended February 29, 2012

	Port Hope Simpson REE District, Labrador $	**Red Wine, Labrador $**	**Katie, Newfoundland $**	**Other, Newfoundland and Labrador $**	**Total $**
Balance, November 30, 2011	8,719,245	1,056,444	233,353	380,560	10,389,602
Acquisition costs					
Cash	55,000	-	-	-	55,000
Shares	82,000	-	-	-	82,000
Staking	1,350	-	-	-	1,350
	138,350	-	-	-	138,350
Deferred exploration costs					
Assays	474,264	24,620	2,257	20,550	521,691
Camp	72,739	569	45	423	73,776
Drilling	385,585	-	-	-	385,585
Geological consulting (Note 13)	88,985	-	2,850	4,038	95,873
Geotechnical surveys	13,319	1,463	-	-	14,781
Geotechnical reports	31,579	3,944	-	81	35,604
Other	171,371	5,651	386	480	177,888
Prospecting	5,394	122	-	-	5,516
Salaries, wages and benefits	101,947	2,760	-	-	104,707
Travel and accommodation	28,150	811	1,163	472	30,596
	1,373,333	39,939	6,701	26,044	1,446,017
Advances	(100,000)	-	-	-	(100,000)
Balance, February 29, 2012	**10,130,928**	**1,096,383**	**240,054**	**406,604**	**11,873,969**

Search Minerals Inc.
(An Exploration Stage Company)
CONDENSED INTERM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the year ended November 30, 2011

	Port Hope Simpson REE District, Labrador $	**Red Wine, Labrador $**	**Katie, Newfoundland $**	**Other, Newfoundland and Labrador $**	**Total $**
Balance, December 1, 2010	2,909,884	-	199,531	130,798	3,240,213
Acquisition costs					
Cash	40,000	-	-	-	40,000
Shares	193,500	-	-	-	193,500
Staking	2,510	-	-	-	2,510
	236,010	-	-	-	236,010
Deferred exploration costs					
Assays	1,352,594	181,985	6,021	122,942	1,663,542
Camp	428,854	188,163	336	14,456	631,809
Drilling	1,252,402	268,364	-	6,202	1,526,968
Geological consulting (Note 13)	249,160	209	2,784	5,600	257,753
Geotechnical surveys	88,357	4,423	163	1,124	94,067
Geotechnical reports	67,569	5,852	2,150	14,450	90,021
Helicopters	502,368	328,099	5,547	10,689	846,703
Other	634,844	115,253	6,597	31,790	788,484
Prospecting	188,044	5,734	3,050	9,696	206,524
Salaries, wages and benefits	453,600	36,765	3,571	7,339	501,275
Travel and accommodation	255,559	21,597	3,603	25,474	306,233
	5,473,351	1,156,444	33,822	249,762	6,913,379
Option agreements					
Option payments received – cash	-	(175,000)	-	-	(175,000)
Option payments received – shares	-	(655,000)	-	(88,800)	(743,800)
	-	(830,000)	-	(88,800)	(918,800)
Option proceeds recognized in the statement of operations	-	730,000	-	88,800	818,800
Advances	100,000	-	-	-	100,000
	100,000	730,000	-	88,800	918,800
Balance, November 30, 2011	**8,719,245**	**1,056,444**	**233,353**	**380,560**	**10,389,602**