SEARCH MINERALS INC.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(Expressed in Canadian dollars)

Search Minerals Inc. (An Exploration Stage Company)

Consolidated Financial Statements

Years ended November 30, 2012 and 2011
(Expressed in Canadian Dollars)

p | 604.683.3277
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE
555 BURRARD STREET
BOX 243
VANCOUVER, BC V7X 1M9

charlton

charlton & company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Search Minerals Inc.

We have audited the accompanying consolidated financial statements of Search Mineral Inc., which comprise the consolidated statement of financial position as at November 30, 2012 and 2011 and as at December 1, 2010, the consolidated statements of operations and comprehensive loss, statements of cash flows and statements of changes in equity for the years ended November 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information for the period then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Search Minerals Inc. as at November 30, 2012 and 2011 and as at December 1, 2010, and its operations, cash flows and changes in equity for the years ended November 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, BC

March 25, 2013

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	November 30, 2012 $	November 30, 2011 $	December 1, 2010 $
			(Note 19)	(Note 19)
ASSETS				
Current				
Cash and cash equivalents		**422,173**	3,547,916	1,518,387
HST recoverable		**244,539**	410,194	314,396
Other receivable	**10**	**22,747**	753,272	427,337
Marketable securities	**7**	**-**	405,500	40,000
Other assets	**14**	**42,877**	93,065	33,554
		732,336	5,209,947	2,333,674
Equipment	**8**	**135,240**	210,791	116,214
Reclamation deposits		**50,000**	50,000	-
Staking deposits	**9**	**73,915**	288,350	306,659
Mineral properties (Schedule 1)	**10**	**8,268,018**	10,389,602	3,240,213
		9,259,509	16,148,690	5,996,760
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Current				
Accounts payable and accrued liabilities	**11,14**	**662,164**	2,085,590	1,653,846
Equity attributable to shareholders				
Share capital	**12**	**17,485,844**	16,539,085	6,037,597
Warrants		**423,171**	166,208	97,097
Contributed surplus		**1,789,354**	1,659,276	673,608
Accumulated other comprehensive (loss) gain		**-**	(115,023)	20,500
Deficit		**(11,101,024)**	(4,186,446)	(2,485,888)
		8,597,345	14,063,100	4,342,914
		9,259,509	16,148,690	5,996,760

Nature of Operations (Note 1)
Going Concern (Note 2)
Commitments (Notes 10, 12 and 13)
Subsequent Events (Notes 10 and 18)

On behalf of the Board:

"James Patterson" Director
James Patterson

"James Clucas" Director
James Clucas

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended November 30, 2012 and 2011
(Expressed in Canadian dollars)

	Note	**2012** **$**	2011 $ (Note 19)
GENERAL AND ADMINISTRATIVE EXPENSES			
Accounting and audit		**120,174**	110,673
Administration and management fees	**14**	**338,795**	250,434
Amortization	**8**	**78,866**	87,446
Consulting fees	**14**	**186,094**	158,858
Legal fees		**45,041**	61,771
Non-executive directors fees	**14**	**75,000**	42,000
Office and miscellaneous		**178,335**	270,846
Regulatory and transfer agent fees		**24,509**	31,831
Rent		**23,709**	30,263
Share-based payments	**12(c),14**	**95,631**	981,486
Travel and accommodation		**74,322**	153,374
Loss for the year before other items		**(1,240,476)**	(2,178,982)
Other income (expense) items			
Gain on option agreement	**10**	**48,193**	818,800
Loss on sale of marketable securities	**7**	**(161,832)**	(11,652)
Interest income		**8,603**	49,613
Flow-through premium income	**15**	**53,500**	32,500
Gain on disposal of equipment		**-**	2,783
Operator fee income	**10**	**5,134**	79,718
Technology research	**13,14**	**(324,667)**	(487,113)
Write-down of other assets		**(11,752)**	-
Write-down of mineral properties	**10**	**(5,246,469)**	-
Write-down of staking deposits	**9**	**(44,812)**	(6,225)
Loss for the year		**(6,914,578)**	(1,700,558)
Other comprehensive loss for the year			
Unrealized loss on marketable securities		**(46,809)**	(147,175)
Realized loss on marketable securities	**7**	**161,832**	11,652
Comprehensive loss for the year		**(6,799,555)**	(1,836,081)
Basic and diluted loss per share		**(0.14)**	(0.04)
Weighted average number of common shares outstanding		**48,854,829**	41,390,344

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended November 30, 2012 and 2011
(Unaudited – expressed in Canadian dollars)

	2012 **$**	2011 $ (Note 19)
Cash (used in) provided by		
OPERATING ACTIVITIES		
Net loss for the year	**(6,914,578)**	(1,700,558)
Items not affecting cash:		
Amortization	**78,866**	87,446
Flow-through premium income	**(53,500)**	(32,500)
Gain on option agreement	**(48,193)**	(818,800)
Loss on sale of marketable securities	**161,832**	11,652
Gain on disposal of equipment	**-**	(2,783)
Share-based payments	**95,631**	981,486
Write-down of other assets	**11,752**	-
Write-down of mineral properties	**5,246,469**	-
Write-down of staking deposits	**44,812**	6,225
	(1,376,909)	(1,467,832)
Changes in non-cash working capital items:		
HST recoverable	**165,655**	(95,798)
Other assets	**38,436**	(59,511)
Accounts payable and accrued liabilities	**155,119**	(5,423)
	(1,017,699)	(1,628,564)
INVESTING ACTIVITIES		
Mineral property costs, net	**(4,608,237)**	(6,411,222)
Other receivables	**730,525**	(325,935)
Proceeds from sale of marketable securities	**397,191**	231,125
Purchase of equipment	**(3,315)**	(220,275)
Proceeds from sale of equipment	**-**	41,035
Reclamation deposit	**-**	(50,000)
Staking costs, net of recoveries	**169,623**	12,084
	(3,314,213)	(6,723,188)
FINANCING ACTIVITIES		
Issuance of common shares	**1,223,400**	10,456,833
Share issuance costs	**(17,231)**	(75,552)
	1,206,169	10,381,281
(Decrease) increase in cash and cash equivalents during the year	**(3,125,743)**	2,029,529
Cash and cash equivalents, beginning of the year	**3,547,916**	1,518,387
Cash and cash equivalents, end of the year	**422,173**	3,547,916
Cash and cash equivalents are comprised of:		
Cash	**422,173**	445,327
Cash equivalents	**-**	3,102,589
Cash paid for interest	**-**	-
Cash paid for income taxes	**-**	-

Non-cash Transactions (Note 17)

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended November 30, 2012 and 2011
(Expressed in Canadian dollars)

	Number of Shares #	Share Capital $	Warrants $	Contributed Surplus $	AOCI $	Deficit $	Total Shareholders' Equity $
Balance, December 1, 2010 (Note 19)	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	18,722,220	8,331,388	93,611	-	-	-	8,424,999
Less: Issue costs – cash	-	(75,552)	-	-	-	-	(75,552)
Pursuant to mineral property agreements (Note 10)	280,000	193,500	-	-	-	-	193,500
Pursuant to warrant exercises	4,063,667	2,031,834	-	-	-	-	2,031,834
Transfer on exercise of warrants	-	20,318	(20,318)	-	-	-	-
Transfer on expiry of warrants	-	-	(4,182)	4,182	-	-	-
Share-based payments	-	-	-	981,486	-	-	981,486
Comprehensive loss for the year	-	-	-	-	(135,523)	(1,700,558)	(1,836,081)
Balance, November 30, 2011 (Note 19)	46,686,772	16,539,085	166,208	1,659,276	(115,023)	(4,186,446)	14,063,100
For cash pursuant to private placements of units	5,932,000	828,840	329,560	-	-	-	1,158,400
Allocation to flow-through premium liability	-	(53,500)	-	-	-	-	(53,500)
Less: Issue costs – cash	-	(17,231)	-	-	-	-	(17,231)
Pursuant to mineral property agreements (Note 10)	400,000	85,500	-	-	-	-	85,500
Pursuant to option exercises	550,000	65,000	-	-	-	-	65,000
Transfer on exercise of options	-	38,150	-	(38,150)	-	-	-
Transfer on expiry of warrants	-	-	(72,597)	72,597	-	-	-
Share-based payments	-	-	-	95,631	-	-	95,631
Comprehensive loss for the year	-	-	-	-	115,023	(6,914,578)	(6,799,555)
Balance, November 30, 2012	**53,568,772**	**17,485,844**	**423,171**	**1,789,354**	**-**	**(11,101,024)**	**8,597,345**

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

1. Nature of Operations

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.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. At November 30, 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.

2. Going Concern

These 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 November 30, 2012, the Company had not yet achieved profitable operations, had an accumulated deficit of $11,101,024 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. Subsequent to November 30, 2012, the Company completed a private placement of 24,000,000 units at a price of $0.05 per unit for gross proceeds of $1,200,000 (Note 18).

3. Basis of Presentation and Adoption of International Financial Reporting Standards

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The consolidated financial statements have been prepared on a historical cost basis as modified by the revaluation of available-for-sale marketable securities.

Subject to certain transition elections and exceptions disclosed in Note 19, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at December 1, 2010 throughout all periods presented, as if these policies had always been in effect. Note 19 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance 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 prepared under Canadian GAAP.

These consolidated financial statements were approved by the board of directors for use on March 25, 2013.

4. Significant Accounting Policies

Principles of consolidation

These 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.

(Expressed in Canadian dollars)

Details of the subsidiary are as follows:

		Percentage owned	
	Incorporated in	**November 30, 2012**	**November 30, 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 are recognized as a deduction from equity.

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 year ended November 30, 2012 and 2011, potentially dilutive common shares (relating to share purchase options and warrants outstanding) totaling 29,791,220 (2011: 27,861,220) 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 premium 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 premium 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 12(c).

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.

5. 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 7, *Financial Instruments Disclosures (Amendment),* increases the disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. The amended standard is effective for annual periods on or after January 1, 2012.

(ii) 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.

(iii) IFRS 10, *Consolidated Financial Statements,* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

(iv) IFRS 11, *Joint Arrangements*, describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers.*

(v) 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.

(vi) 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.

(vii) IAS 28, *Investments in Associates and Joint Ventures (Amendment),* is effective for annual periods beginning April 1, 2013 with early adoption permitted. Amendments to IAS 28 provide additional guidance applicable to accounting for interests in joint ventures or associates when a portion of an interest is classified as held-for-sale or when the Company ceases to have joint control or significant influence over an associate or joint venture. When joint control or significant influence over an associate or joint venture ceases, the Company will no longer be required to re-measure the investment at that date. When a portion of interest in a joint venture or associate is classified as held-for-sale, the portion not classified as held-for-sale shall be accounted for using the equity method of accounting until the sale is completed, at which time the interest is reassessed for prospective accounting treatment.

(viii) IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine,* sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit future periods and sets out criteria for capitalizing such costs.

6. 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.

7. 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 10). 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 year ended November 30, 2012, the Company sold 645,000 common shares of GWG for proceeds of $336,531 and 35,000 common shares of Quest for proceeds of $60,660 and accordingly, the Company recognized losses on sale of marketable securities of $161,832.

During the year ended November 30, 2011, the Company sold 305,000 common shares of GWG for proceeds of $211,152 and 5,000 common shares of Quest for proceeds of $19,973 and accordingly, the Company recognized losses on sale of marketable securities of $11,652.

At November 30, 2012, the Company held no marketable securities. At November 30, 2011, the Company had 10,000 common shares of Quest with a fair value of $31,400 and 645,000 common shares of GWG with a fair value of $374,100. The aggregate fair value of marketable securities at November 30, 2011 was $405,500.

(Expressed in Canadian dollars)

8. 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
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
Year ended November 30, 2012					
At November 30, 2011	72,425	7,600	17,577	113,189	210,791
Additions	-	-	3,315	-	3,315
Amortization	(21,727)	(1,520)	(10,343)	(45,276)	(78,866)
At November 30, 2012	50,698	6,080	10,549	67,913	135,240
At November 30, 2012					
Cost	93,375	10,000	36,238	205,645	345,258
Accumulated amortization	(42,677)	(3,920)	(25,689)	(137,732)	(210,018)
Net book value	50,698	6,080	10,549	67,913	135,240

9. 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	24,330
Recoveries	(193,953)
Write-down of staking deposits	(44,812)
Balance, November 30, 2012	73,915

10. 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 9). Other commitments relating to mineral properties are as follows:

During the year ended November 30, 2012, the Company issued 50,000 common shares at the fair value of $3,500 to a First Nations band.

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 November 30, 2012, the Company had paid an aggregate of $90,000 (November 30, 2011: $50,000). The Company must pay an additional $50,000 on or before January 14, 2013 (paid subsequent to November 30, 2012).

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 (issued subsequent to November 30, 2012 at the fair value of $21,000). The Company now owns a 100% interest in the property.

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 (paid subsequent to November 30, 2012) and issue 70,000 common shares on or before February 25, 2013 (issued subsequent to November 30, 2012 at the fair value of $2,450);
- 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, 2015 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 year ended November 30, 2012, the Company recorded $5,134 of operator fee income (2011: $79,718).

During the year ended November 30, 2011, the Company recorded a gain on option agreement of $730,000. This amount represented the value of cash and shares recorded in excess of the carrying amount of the Red Wine Property when they were received.

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 November 30, 2012, other receivable of $22,747 was comprised of mineral exploration expenditures incurred by the Company on behalf of GWG (2011: $753,272).

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 (received at the fair value of $38,500); and,
- 40,000 common shares of Quest on or before June 22, 2013 (on November 7, 2012, the Company settled $67,141 of amounts due to Quest as consideration for this share issuance).

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

In November 2012, Quest earned a 50% undivided 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, paying $75,000 in cash to the Company and issuing 150,000 common shares of Quest on or before June 15, 2015.

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. During the year ended November 30, 2012, the Company incurred management fees of $57,448 (2011: $nil).

During the year ended November 30, 2012, the Company recorded a gain on option agreement of $48,193 (2011: $88,800). This amount represents the value of shares recorded in excess of the carrying amount of the Strange Lake Property.

(Expressed in Canadian dollars)

During the year ended November 30, 2012, the Company wrote-down $5,246,469 of mineral property costs (2011: $nil). The Company determined that there were indicators of impairment on a portion of the Port Hope Simpson REE District as well as on the Katie Property and the other Newfoundland and Labrador properties. The Company wrote-down all deferred mineral property costs relating to these properties other than costs directly related to exploration on the Foxtrot Property and Pesky Hill Prospect.

11. Accounts Payable and Accrued Liabilities

	November 30, 2012 $	November 30, 2011 $	December 1, 2010 $
Trade payables	**468,499**	1,944,906	1,527,375
Due to related parties (Note 14)	**193,665**	140,684	93,971
Flow-through premium liability	**-**	-	32,500
Total accounts payable and accrued liabilities	**662,164**	2,085,590	1,653,846

12. Share Capital

a. Common shares authorized

Unlimited number of common shares

53,568,772 outstanding at November 30, 2012 (2011: 46,686,772)

b. Financings

During the year ended November 30, 2012, the Company completed financings as follows:

i) On August 8, 2012, the Company completed the first tranche of a non-brokered private placement of 4,000,000 units at a price of $0.20 per unit for gross proceeds of $800,000. 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 $0.20 per common share up to August 8, 2014. A value of $280,000 has been attributed to the warrants using the residual method.

ii) On August 22, 2012, the Company completed the second tranche of a non-brokered private placement of 532,000 units at a price of $0.20 per unit for gross proceeds of $106,400. 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 $0.20 per common share up to August 22, 2014. A value of $42,560 has been attributed to the warrants using the residual method.

iii) On October 16, 2012, the Company completed a non-brokered private placement of 1,400,000 flow-through units at a price of $0.18 per flow-through unit for gross proceeds of $252,000. Each flow-through unit is comprised of one flow-through common share and one non-flow-through share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at $0.20 per share up to April 16, 2014. A value of $7,000 has been attributed to the warrants using the residual method. The fair value of the flow-through common shares was determined to be $191,500 with the remaining $53,500 of flow-through premium being allocated to flow-through premium liability (Note 15).

The Company incurred $17,231 of legal fees and other fees in connection with the August 8, 2012, August 22, 2012 and October 16, 2012 private placements.

During the year ended November 30, 2011, the Company completed financings as follows:

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.

(Expressed in Canadian dollars)

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.

Changes in share purchase options during the years ended November 30, 2012 and 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	1,485,000	$0.21	
Exercised	(550,000)	$0.12	
Forfeited	(373,000)	$0.48	
Outstanding and exercisable, November 30, 2012	5,137,000	$0.41	3.48

During the year ended November 30, 2012, the weighted average stock price on the date of option exercise was $0.22.

At November 30, 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
759,500	$0.40	February 16, 2015
500,000	$0.47	June 22, 2015
287,500	$0.55	November 8, 2015
875,000	$0.60	February 25, 2016
1,080,000	$0.485	March 31, 2016
150,000	$0.48	April 7, 2016
155,000	$0.26	January 19, 2017
1,330,000	$0.20	October 17, 2017
5,137,000		

(Expressed in Canadian dollars)

During the year ended November 30, 2012, the Company recorded share-based payment expense of $95,631 (2011: $981,486). The weighted average fair value of share purchase options granted during the year ended November 30, 2012 of $0.06 (2011: $0.41) per option was estimated using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Risk-free interest rate	1.63-1.85%	1.98%
Expected life	4.0 years	4.0 years
Expected volatility	107-108%	113-116%
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 years ended November 30, 2012 and 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
Issued	5,932,000	$0.20	
Expired	(4,564,000)	$0.87	
Balance, November 30, 2012	24,654,220	$0.66	1.33

At November 30, 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
(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	$0.80	March 7, 2013
	$0.90	March 7, 2014
1,400,000	$0.20	April 16, 2014
4,000,000	$0.20	August 8, 2014
532,000	$0.20	August 22, 2014
24,654,220		

(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.

13. 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 Saprolite Leaching
- Nickel and Cobalt Recovery from Caron Plant Tailings

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.

On May 23, 2012, the Company announced that it had entered into a Heads of Agreement (“HOA”) with PT ANTAM (Persero) Tbk (“ANTAM”) to cooperate in developing a SALT plant to apply the Company’s SALT technology in processing low grade saprolite nickel ore from ANTAM’s mining permits in one or more of Halmahera, Pomalaa or other mining projects locate within Indonesia. The Company and ANTAM are completing due diligence and evaluation prior to entering into a definitive agreement.

During the year ended November 30, 2012, the Company incurred technology research expense of $324,667 (2011: $487,113).

(Expressed in Canadian dollars)

14. Related Party Transactions

During the years ended November 30, 2012 and 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:

	2012 **$**	2011 $
Administration and management fees	**262,500**	195,833
Consulting fees	**47,750**	54,000
Non-executive directors fees	**75,000**	42,000
Technology research	**204,272**	340,000
Mineral property expenditures		
Geological consulting	**222,917**	184,167
	812,439	816,000

At November 30, 2012, accounts payable and accrued liabilities included $193,665 (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.

At November 30, 2012, other assets included expense advances provided to officers of the Company of $7,500 (November 30, 2011: $37,500; December 1, 2010: $20,500).

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 years ended November, 2012 and 2011 is identical to the table above other than share-based payments expense. During the year ended November 30, 2012, key management received share-based payments of $62,641 (2011: $402,672).

15. Income Taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax expense for the years ended November 30, 2012 and 2011 is as follows:

	2012 **$**	2011 $
Statutory tax rate	**25.12%**	26.67%
Loss for the year before income taxes	**(6,914,578)**	(1,700,558)
Expected income tax recovery	**(1,737,000)**	(453,000)
Stock-based compensation and other permanent differences	**12,000**	255,000
Effect of change in tax rate and other	**81,000**	259,000
Change in unrecognized deferred tax assets	**1,644,000**	(61,000)
Income tax expense	**-**	-

(Expressed in Canadian dollars)

The significant components of the Company's deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

	November 30, 2012 $	November 30, 2011 $	December 1, 2010 $
Deferred income tax assets (liabilities)			
Share issue costs	**41,000**	58,000	64,000
Non-capital and capital losses carried forward	**1,191,000**	786,000	392,000
Mineral properties	**684,000**	(566,000)	(79,000)
Other	**51,000**	45,000	7,000
Total unrecognized deferred income tax assets	**1,967,000**	323,000	384,000

All deferred tax assets and liabilities are estimated to be recovered after more than 12 months.

Losses that reduce future income for tax purposes expire as follows:

	$
2027	72,000
2028	194,000
2029	349,000
2030	954,000
2031	1,562,000
2032	1,471,000
	4,602,000

In reference to the deferred tax asset (liability) relating to mineral properties, the Company has certain tax pools arising from its resource related expenditures that amount to approximately $11.0 million and which are available indefinitely to shelter future income from corporate income taxes.

On October 16, 2012, the Company completed a non-brokered private placement of 1,400,000 flow-through units at a price of $0.18 per flow-through unit for gross proceeds of $252,000. Each flow-through unit is comprised of one flow-through common share and one non-flow-through share purchase warrant. A value of $7,000 has been attributed to the warrants using the residual method. In connection with this, the Company incurred eligible Canadian Exploration Expenditures of $245,000 prior to November 30, 2012. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to $53,500. The gross proceeds attributable to the flow-through shares of $245,000 will not be available to the Company for future deduction from taxable income.

During May 2010, the Company issued 420,000 flow-through units at $0.60 per flow-through unit for gross proceeds of $252,000. The Company incurred aggregate eligible Canadian Exploration Expenditures in this amount 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 applied 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. Accordingly, the Company recorded the flow-through premium liability as an other income item amounting to $32,500. The amount will not be available to the Company for future deduction from taxable income.

16. Financial Instruments

Management of Capital

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern in order to facilitate the development of its mineral properties and to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met; and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, contributed surplus, accumulated other comprehensive (loss) income and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issue new debt, or acquire or dispose of assets, and control of the capital expenditures program.

The mineral properties are in the exploration stage. As such, the Company is dependent on external financing to develop its properties and fund its activities. In order to carry out its planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available, and may even dispose of its interest in the mineral properties.

Management reviews its capital management approach on an ongoing basis and no changes were made to the approach during the year ended November 30, 2012. At November 30, 2012 and 2011, the Company was not subject to any externally imposed capital requirements.

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:

Credit Risk

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

Commodity Price Risk

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

Liquidity Risk

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. The Company is pursuing various forms of financing and cost sharing including possible joint ventures and government grants.

Market Risk

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 November 30, 2012 and 2011, 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.

17. 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 year ended November 30, 2012 the following transactions were excluded from the statement of cash flows:

a) deferred exploration expenditures of $440,062 included in accounts payable and accrued liabilities at November 30, 2012, less expenditures included in accounts payable at November 30, 2011 of $1,951,466 (net inclusion of $1,511,404);

b) the receipt of marketable securities at the fair value of $38,500 pursuant to mineral property agreements;

c) the exchange of 40,000 Quest shares for $67,141 of accounts payable and accrued liabilities;

d) the issuance by the Company of 400,000 shares at the fair value of $85,500 pursuant to a mineral property option agreement;

e) the transfer of $38,150, the value of options exercised during the year, from contributed surplus to share capital; and,

f) the transfer of $72,597, the value of warrants expired during the year, from warrants to contributed surplus.

During the year ended November 30, 2011 the following transactions were excluded from the statement of cash flows:

a) deferred exploration expenditures of $1,951,466 included in accounts payable and accrued liabilities at November 30, 2011, less expenditures included in accounts payable at November 30, 2010 of $1,481,799 (net exclusion of $469,667);

b) the receipt of marketable securities at the fair value of $743,800 pursuant to mineral property agreements;

c) the issuance by the Company of 280,000 shares at the fair value of $193,500 pursuant to a mineral property option agreement;

d) the transfer of $20,318, the value of warrants exercised during the year, from warrants to share capital; and,

e) the transfer of $4,182, the value of warrants expired during the year, from warrants to contributed surplus.

18. Subsequent Events

Additional subsequent events are disclosed in Note 10.

Private Placement

On March 21, 2013, the Company completed a private placement of 24,000,000 units at a price of $0.05 per unit for gross proceeds of $1,200,000. 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 $0.10 per common share up to March 22, 2013.

(Expressed in Canadian dollars)

19. 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

(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

(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
Flow-through premium income		-	32,500	32,500
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)	-	(1,700,558)
Deferred income tax recovery	**(i)**	312,500	(312,500)	-
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 premium liability is reversed. The flow-through premium liability is recorded as other income. The deferred tax liability is recorded as a deferred tax 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 decreased by $222,100. At 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)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the year ended November 30, 2012
(Expressed in Canadian dollars)

	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	1,490	-	-	-	1,490
	138,490	-	-	-	138,490
Deferred exploration costs					
Assays	696,855	26,307	2,657	22,031	747,850
Camp	192,909	20,071	90	422	213,492
Drilling	544,442	-	-	-	544,442
Engineering and metallurgy	482,109	-	-	-	482,109
Geological consulting (Note 14)	240,529	-	3,325	12,113	255,967
Geotechnical surveys	31,277	1,950	-	1,327	34,554
Geotechnical reports	100,321	14,225	2,904	5,640	123,090
Government assistance	(150,000)	-	-	-	(150,000)
Operator fees	-	-	-	57,448	57,448
Other	349,030	12,204	1,004	1,373	363,611
Prospecting	49,058	122	-	-	49,180
Salaries, wages and benefits	306,971	4,652	-	-	311,623
Travel and accommodation	106,234	2,084	1,687	472	110,477
	2,949,735	81,615	11,667	100,826	3,143,843
Option agreements					
Option payments received – shares	-	-	-	(105,641)	(105,641)
	-	-	-	(105,641)	(105,641)
Option proceeds recognized in the statement of operations	-	-	-	48,193	48,193
Advances	(100,000)	-	-	-	(100,000)
Write-down	(4,577,511)	-	(245,020)	(423,938)	(5,246,469)
	(4,677,511)	-	(245,020)	(375,745)	(5,298,276)
Balance, November 30, 2012	**7,129,959**	**1,138,059**	**-**	**-**	**8,268,018**

Search Minerals Inc.
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the year ended November 30, 2011
(Expressed in Canadian Dollars)

	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 14)	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**