Management's Discussion and Analysis
for the Three and Six Months Ended May 31, 2013

The following information, prepared as of July 17, 2013, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Search Minerals Inc. (the "Company" or "Search") for the three and six months ended May 31, 2013, together with the audited consolidated financial statements of the Company for the year ended November 30, 2012 and the accompanying Management's Discuss and Analysis (the "annual MD&A") for that fiscal year. The referenced unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

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

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

It is important to the following:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of July 17, 2013.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, possible variations in mineral resources, labour disputes, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.

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

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

GENERAL

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

The Company currently operates in two lines of business: mineral exploration and the research and development of the starved acid leaching technology ("SALT"). The SALT process continues to be evaluated in Brazil and Indonesia under agreements with Votorantim Metais Níquel S.A. and Votorantim Novos Negócios S.A., operating subsidiaries of Votorantim Participações S.A. (Brazil) and PT ANTAM (Persero) Tbk (Indonesia). The mineral exploration business involves acquiring, exploring and evaluating mineral resource properties and either developing joint venturing these properties further or disposing of them.

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

OVERALL PERFORMANCE

On January 25, 2013, the Company announced results from the Phase I drilling at the Pesky Hill Prospect in the Port Hope Simpson REE District in SE Labrador. The $250,000 Phase 1 exploration drilling program comprised of 38 shallow vertical holes (1,213m) ranging from 26m to 50m in depth (see the January 25, 2013 news release for details).

On February 20, 2013, the Company announced that the United States Patent Office had granted the Company a United States patent for SALT. Furthermore, the Company announced that patent applications had been filed in several countries for nickel laterite processing using SALT. Separate applications have been lodged with the national patent offices in Brazil, Cuba, the Philippines, Australia, Europe (including the French overseas territory of New Caledonia), Indonesia, Colombia and the Organization of African States.

On March 21, 2013, the Company completed a non-brokered private placement of 24,000,000 units at a price of $0.05 per unit for gross proceeds $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, 2014. The proceeds from the financing will be used for general working capital purposes.

On March 25, 2013, the Company announced the results of a revised Preliminary Economic Assessment ("PEA") by Roscoe Postle & Associates ("RPA") on the Foxtrot Project in the Port Hope Simpson REE District. It was noted that the PEA evaluated an open pit/underground scenario with lower capital costs, a lower mining rate and higher grade mill feed than the original PEA. Highlights include a reduction in capital costs to $221 million from $ 469 million, with a 3.8 year payback, a $219 million net present value at a discount rate of 10%, and a 26% pre tax internal rate of return. The May 9, 2013 NI 43-101 Technical Report on the Foxtrot Project PEA was filed on www.sedar.com on June 13, 2013.

On April 11, 2013, the Company announced the appointment of Stephen Keith as President and Chief Executive Office of the Company, effective immediately. It was also announced that Jim Clucas, the outgoing President and Chief Executive Officer, transitioned to Executive Chairman of the Company. Mr. Keith has worked on projects in more than 30 countries, with a focus on Latin America. Mr. Keith was most recently a founder and the President and Chief Executive Officer of Rio Verde Minerals Development Corp. until its acquisition by B&A Fertilizers Limited on March 13, 2013.

On April 26, 2013, the Company granted stock options to directors, officers and consultants of the Company which allow for the purchase of 2,660,000 common shares of the Company at a price of $0.10 per share up to April 26, 2018.

On June 20, 2013, the Company announced the discovery of three new prospects in the Port Hope Simpson REE District with mineralization similar to that at the Company's Foxtrot Project. The new prospects, Fleet Fox, Fox Run and Silver Fox, along with two previously announced Foxtrot-like Prospects, Fox Pond and Foxy Lady, all occur within 10km of the Foxtrot Project.

OUTLOOK

Search Minerals Inc. operates all of its exploration through its 100% owned subsidiary, Alterra Resources Inc. Search is continuing with its business strategy to explore its current portfolio of properties, to evaluate the properties for future development, and, with success, to look for strategic partners to advance properties. Search has completed two joint ventures agreements to date and has been actively seeking out acquisition opportunities, and opportunities to further develop the properties.

The Company's primary focus has been the exploration of the Port Hope Simpson Rare Earth Element ("REE") District. This REE District includes the Fox Harbour volcanic belt and the Company's flagship property, the Foxtrot Project. The Company is planning an exploration program for the 2013 field season to map and sample mineralization throughout the Fox Harbour volcanic belt and to prioritize targets for a small exploration drilling program. The aim of this program is to discover/document additional Foxtrot-like deposits in close proximity to the Foxtrot Project and to add to the Foxtrot resource; currently 9.3 million tones indicated at 189 ppm Dy and 5.2 million tones inferred at 176 ppm Dy.

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

In May 2012, the Company entered into a Heads of Agreement ("HOA") with PT ANTAM (Persero) Tbk ("ANTAM"), an Indonesian mining company, 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. The heads of agreement committed ANTAM to providing 2 million tonnes per annum of below cut-off grade ore (average 1.8%) from two or more mine sites to SALT processing facilities. ANTAM and the Company are also discussing tailoring the SALT plant product (nickel precipitate) to allow processing to ferro-nickel at the ANTAM smelter.

MINERAL PROPERTIES

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

The Company currently holds a number of properties in Newfoundland and Labrador acquired through the Alterra acquisition in October 2008, the B and A Minerals option in December 2009, the Quinlan option in January 2011 and subsequent staking in Labrador. The B and A Mineral option in Labrador, now a part of the Port Hope Simpson REE District, and subsequent staking has also been the subject of a National Instrument ("NI") 43-101 compliant report dated June 30, 2010. On February 14, 2012, a NI 43-101 compliant report was filed on the Foxtrot Prospect, Port Hope Simpson REE District. On December 20, 2012 and June 13, 2013, updated NI 43-101 compliant reports were filed.

On August 27, 2012, the Company announced that it had signed a Mining Exploration Activities Agreement with the NunatuKavut Community Council (the "NunatuKavut"), the political representative body of the Inuit of South-Central Labrador. The agreement solidifies a relationship that has evolved through the Company's activity in and around NunatuKavut communities on the south coast. The agreement sets out a respectful way forward, meeting the interests of and ensuring mutual benefit for both parties. Key elements in the agreement address environmental protocols and safeguards for matters of historic values. The agreement also sets out hiring and business opportunities for NunatuKavut members and communities as well as certain financial considerations. The Company issued 50,000 common shares to NunatuKavut and will make an annual good faith payment of a small cash stipend. The agreement will continue indefinitely unless and until one or both parties elect to terminate.

Port Hope Simpson REE District, Labrador

The Port Hope Simpson REE district forms a belt that stretches north-westerly from Fox Harbour (St. Lewis) on the SE Labrador coast, inland for 135 km and up to 12 km wide. The Company controls a number of licenses in this area acquired pursuant to an agreement with B and A Minerals Limited and additional map staked licenses. All portions of this belt are within 10 km of a local transportation network that includes all-season highways, seasonal logging roads, ocean ports and three airstrips.

On January 13, 2011, the Company entered into a binding letter of intent with Andrew Quinlan, Roland Quinlan and Tony Quinlan. Pursuant to the letter of intent, the Company has the option to acquire the Fox Harbour Property located east and north of St. Lewis, Labrador. The Fox Harbour Property is part of the Port Hope Simpson REE district.

Since the fall of 2009, the Company has been exploring the Port Hope Simpson REE District. The Company began exploration of the property with a fixed-wing airborne radiometric and magnetic survey (see December 23, 2009 news release for details) and the results were interpreted for structural and lithological data and to determine REE targets.

During the 2010 field season, prospectors and geologists investigated the REE targets with follow-up mapping, lithogeochemical sampling, channel sampling and prospecting of the higher priority targets. This work led to the discovery of numerous REE mineral indications and prospects. The drill programs on HighREE Island, which consisted of 13 holes totaling 2,029m, and at the Foxtrot Project, which consisted of 23 holes totaling 3,955m (Phase I), further evaluated these discoveries.

During the 2011 field season, Search continued prospecting work on the various REE prospects and other prospective areas. In addition, the Company completed a drilling program at the Foxtrot Project in three phases. A 3,955 m drill program was completed in Phase I with results detailed in the May 26, 2011 news release. A 4,083 m drilling program was completed in Phase II with results detailed in the August 30, 2011 news release. A 10,896 m drilling program was completed in Phase III, with results detailed in the February 1, 2012 and April 27, 2012 news releases.

On February 14, 2012, the Company filed an independent NI 43-101 Technical Report (authored by RPA), including a Mineral Resource Estimate, on the Foxtrot Project. The Mineral Resource Estimate was based on the first two phases of drilling completed in the 2010 and 2011 field seasons. This report outlined a NI 43-101 compliant resource that consisted of 3.41 Mt of Indicated at a grade of 0.89% total Rare Earth Elements and 5.85 Mt of Inferred at a grade of 0.80% total Rare Earth Elements. The Technical Report recommended that a Preliminary Economic Assessment ("PEA") be undertaken. Roscoe Postle & Associates ("RPA") were commissioned to complete the PEA.

On March 1, 2012, the Company confirmed the discovery of mineralization on the Pesky Hill REE prospect. Channel samples from this prospect revealed high concentration of Dy, Tb, Nb, Zr and Y (see the March 1, 2012 news release for details). On March 20, 2012, the Company announced the discovery of the Fox Pond and Foxy Lady REE prospects. These two prospects exhibit similar grades, host rocks and REE minerals as those found at Foxtrot (see the March 20, 2012 news release for details).

On May 1, 2012, RPA completed the PEA on the Foxtrot Project. Operational highlights included a mine life of 10 years and proposed production of 14.3 Mt at a grade of 0.58% total Rare Earth Elements. Financial highlights include a $408 million pre-tax Net Present Value (at a 10% discount rate), a 29% pre-tax Internal Rate of Return, $1.1 billion pre-tax undiscounted cash flows and total net revenue of $3.0 billion. The June 15, 2012 NI 43-101 Technical Report on the Foxtrot Project PEA was filed on www.sedar.com on July 9, 2012.

On January 25, 2013, the Company announced results from the Phase I drilling at the Pesky Hill Prospect in the Port Hope Simpson REE District. The $250,000 Phase I exploration drilling program comprised of 38 shallow vertical holes (1,213m) ranging from 26m to 50m in depth (see the January 25, 2013 news release for details).

On March 25, 2013, the Company issued a news release summarizing the revised PEA for the Foxtrot Project. The PEA evaluated an open pit/underground scenario with lower capital costs, a lower mining rate and higher grade mill feed. Highlights included a reduction in capital costs to $221 million from $469 million, with a 3.8 year payback, a $219 million net present value at a discount rate of 10%, and a 26% pre-tax internal rate of return. The May 9, 2013 NI 43-101 Technical Report on the Foxtrot Project PEA was filed on www.sedar.com on June 13, 2013.

On June 20, 2013, the Company announced the discovery of three new prospects in the Port Hope Simpson REE District with mineralization similar to that at the Company's Foxtrot Project. The new prospects, Fleet Fox, Fox Run and Silver Fox, along with two previously announced Foxtrot-like Prospects, Fox Pond and Foxy Lady, all occur within 10km of the Foxtrot Project.

During the year ended November 30, 2012, the Company wrote-down $5,246,469 of mineral property costs. The Company determined that there were indicators of impairment on a portion of the Port Hope Simpson REE District as well as on the Base Metal 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 Project and the recently drilled Pesky Hill Prospect. Although the Company has written-down these costs for accounting purposes, the Company still holds a significant number of licenses.

The Company's main focus in the Port Hope Simpson REE District in the future will be on the Foxtrot Project and the exploration for additional Foxtrot-like deposits at other targets throughout the Fox Harbour volcanic belt. Other parts of the Port Hope Simpson REE District require some work to maintain licenses in good standing.

Strange Lake Property, Labrador

On June 22, 2010, the Company entered into an agreement with Quest Rare Minerals Ltd. ("Quest") pursuant to which Quest transferred four licenses consisting of nine mineral claims to the Company in consideration for 10,000 common shares of the Company (issued on June 22, 2010). These mineral claims, located adjacent to the Company's Strange Lake Property, were merged with license 013305M to form the new license 019113M, which consists of 30 claims. This new license contains 750 hectares in Western Labrador in the Province of Newfoundland and Labrador.

On June 22, 2010, the Company entered into an option agreement with Quest pursuant to which the Company granted Quest an option (the "Option") to acquire up to a 65% undivided working interest in the Company's Strange Lake Property. In November 2012, Quest earned a 50% undivided interest in the Strange Lake Property by settling $67,141 of accounts payable in lieu of 50,000 Quest shares and incurring $500,000 of exploration expenditures. 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 in favour of the Company. Quest may, at any time, purchase two-thirds of the 1.5% NSR royalty for $1,000,000.

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

The Strange Lake property consists of license 019113M that covers a total of 30 claims (7.5 sq. km) in western Labrador, about 120 km west of the coastal community of Nain. This license covers a portion of the Strange Lake Peralkaline Granite, the host of the REE mineralization in the B-Zone (Quest Rare Minerals) and Main Zone (discovered by Iron Ore Company in 1979), just northwest of the Quebec-Labrador border.

Quest is currently not performing any work on the Strange Lake property and has not announced any exploration work for the remainder of 2013.

Red Wine Property, Labrador

On March 16, 2010, the Company entered into an option agreement (the "Letter Agreement") with Great Western Minerals Group Ltd. ("GWG") whereby GWG could acquire up to a 50% working interest in the Company's Red Wine property, located approximately 100km north-east of Churchill Falls, Labrador. Under the terms of the Letter Agreement, GWG paid an aggregate of $225,000 and GWG issued an aggregate of 1,050,000 common shares to Search 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.

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

Summary

Of the various properties that Search now controls, the Company has elected to focus its near term exploration efforts on the Foxtrot Project and the potential for Foxtrot-like deposits in the Fox Harbour area, part of the Port Hope Simpson REE District. The objective of the current exploration program is to identify additional Foxtrot-like deposits that can be put into production to share capital costs of the Company's Foxtrot Project and to demonstrate to all stakeholders the potential of the Port Hope Simpson REE District for multiple REE deposits.

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

TECHNOLOGY RESEARCH

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

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

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 the Brazilian 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. Subject to satisfactory results of the parties respective due diligence and evaluation, Search will design, construct and operate the plant in Indonesia and ANTAM will commit to a long term ore supply capable of supporting a 30 year mine plan for each Indonesian project that ANTAM and the Company mutually agree on for the implementation of SALT, once proven. Subject to studies, the initial supply is anticipated to be approximately 2 million dry tonnes of ore per year. The Company and ANTAM are completing due diligence and evaluation prior to entering into a definitive agreement.

Bench scale evaluation of a suite of nickel laterite samples from the Pomalaa deposit of ANTAM has been conducted via a service agreement the University of British Columbia Hydrometallurgy Laboratory under the supervision of Dr. David Dreisinger. The results of the testing have been forwarded to ANTAM for review and comment.

On February 20, 2013, the Company announced that the United States Patent Office granted the Company a United States patent for SALT. Furthermore, the Company announced that patent applications had been filed in several countries for nickel laterite processing using SALT. Separate applications have been lodged with the national patent offices in Brazil, Cuba, the Philippines, Australia, Europe (including the French overseas territory of New Caledonia), Indonesia, Colombia and the Organization of African States.

During the six months ended May 31, 2013, the Company incurred technology research expense of $88,738 (2012: $170,999). Included in technology research expenses are consulting fees of Dr. David Dreisinger, payments to the University of British Columbia, legal fees and travel expenses.

RESULTS OF OPERATIONS

The Company incurred a net loss of $645,680 ($0.01 per share) for the six months ended May 31, 2013 as compared to a net loss of $916,136 ($0.02 per share) for the six months ended May 31, 2012. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported net loss to produce an adjusted net loss that forms a better basis for comparing the period over period operating results of the Company.

	2013 ($)	**2012 ($)**
Net loss for the period as reported	(645,680)	(916,136)
Add (deduct):		
Amortization	24,632	39,294
Share-based payments	96,183	27,912
Loss on sale of marketable securities	-	153,326
Operator fee income	-	(4,085)
Technology research	88,738	170,999
Adjusted net loss for the period (1)	(436,127)	(528,690)

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

- Share-based payments expense for the six months ended May 31, 2013 resulted from the Company granting 2,660,000 stock options at the fair value of $0.04 per stock option. During the six months ended May 31, 2012, the Company granted 155,000 stock options at the fair value of $0.18 per stock option.
- The loss on sale of marketable securities arose as a result of the Company selling shares of GWG and Quest, received pursuant to option agreements.
- Operator fee income is the amount the Company has recorded with respect to acting as the operator for GWG's exploration program on the Company's Red Wine Property.
- Technology research costs during the periods represent consulting fees, travel expenses and legal fees.

During the current and comparative periods, the Company has been actively exploring its mineral properties in Newfoundland and Labrador. The decrease in the adjusted net loss for the six months ended May 31, 2013 as compared to the six months ended May 31, 2012 is the net result of a number of differences in various expenses as follows:

- Accounting and audit fees decreased from $54,789 to $43,253;
- Administration expense and management fees increased from $140,678 to $178,617;
- Consulting fees increased from $55,044 to $61,399;
- Legal fees decreased from $30,433 to $15,604;
- Non-executive directors fees increased from $18,000 to $42,000;
- Office and miscellaneous expenses decreased from $160,971 to $44,855; and,
- Travel and accommodation expenses decreased from $51,602 to $17,189.

Three months ended May 31, 2013 and 2012

	2013 ($)	**2012 ($)**
Net loss for the period as reported	(396,917)	(241,203)
Add (deduct):		
Amortization	12,316	19,787
Share-based payments	96,183	-
Technology research	39,100	3,267
Adjusted net loss for the period [1]	(249,318)	(218,149)

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

The increase in the adjusted net loss for the three months ended May 31, 2013 as compared to the three months ended May 31, 2012 is due primarily to an increase in administration and management fees of $42,487 due to the Company engaging a new Chief Executive Officer and the former Chief Executive Officer transitioning to the role of Executive Chairman.

QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended May 31, 2013.

	Three Months Ended ($)			
	May 31, 2013	**Feb 28, 2013**	**Nov 30, 2012**	**Aug 31, 2012**
Total Revenues	-	-	-	-
Net Loss	(396,917)	(248,763)	(5,661,899)	(336,543)
Net Loss Per Share (basic and diluted)	(0.01)	(0.00)	(0.11)	(0.01)
Total Assets	9,533,171	9,178,628	9,259,509	14,412,160
Total Liabilities	274,434	806,596	662,164	421,746
Shareholders' Equity	9,258,737	8,372,032	8,597,345	13,990,414

	Three Months Ended ($)			
	May 31, 2012	**Feb 29, 2012**	**Nov 30, 2011**	**Aug 31, 2011**
Total Revenues	-	-	-	-
Net (Loss) Income	(241,203)	(674,933)	(776,458)	175,254
Net (Loss) Income Per Share (basic and diluted)	(0.01)	(0.01)	(0.02)	0.00
Total Assets	14,078,435	14,490,542	16,148,690	16,313,184
Total Liabilities	676,536	867,440	2,085,590	1,454,751
Shareholders' Equity	13,401,899	13,623,102	14,063,100	14,858,433

[1] The basic and diluted calculations result in the same values.

The net loss for the three months ended May 31, 2013, November 30, 2012, February 29, 2012, November 30, 2011 and August 31, 2011 included share-based payment expense of $96,183, $67,719, $27,912, $95,341 and $8,635, respectively.

The three month periods ended November 30, 2012 and August 31, 2011 included gains on option agreements of $48,193 and $463,800, respectively, as a result of receiving cash and shares from GWG and Quest in excess of the carrying value of the Red Wine Property and the Strange Lake Property. The net income recorded for the quarter ended August 31, 2011 was a result of the gain on option agreements of $463,800.

For the three months ended November 30, 2012 and November 30, 2011, the Company recorded write-downs of staking deposits and mineral properties of $5,291,281 and $6,225, respectively. The write-downs explain the increase in net loss during the quarter and the decrease in total assets and shareholders' equity.

FINANCING ACTIVITIES

During the six months ended May 31, 2013, the Company completed financings as follows:

i) On March 21, 2013, the Company completed a non-brokered 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, 2014. A value of $120,000 has been attributed to the warrants using the residual method.

   The Company incurred $12,561 of legal fees and other fees in connection with the private placement.

During the six months ended May 31, 2012, the Company did not complete any financing activities.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed approximately $525,000 of cash (before working capital items) for the six months ended May 31, 2013 (2012: $696,000) with an additional approximate $817,000 (2012: $2,299,000) utilized on mineral property acquisition costs, deferred exploration expenditures and the purchase of equipment offset by proceeds from the sale of marketable securities, cash received from GWG and staking costs. The cash requirement for the six months ended May 31, 2013 was fulfilled from cash on hand at the beginning of the period and from a private placement of 24,000,000 units at a price of $0.05 per unit for gross proceeds of $1,200,000.

The Company's aggregate operating, investing and financing activities during the six months ended May 31, 2013 resulted in a net decrease in its cash balance from $422,173 at November 30, 2012 to $327,375 at May 31, 2013. The Company's working capital increased by $219,920 correspondingly during the period and stood at $290,092 at May 31, 2013. The Company has accumulated losses since inception of $11,746,704.

The Company does not have any commitments for material capital expenditures over the near term or long term and none are presently contemplated in excess of normal operating requirements other than the remaining $45,000 in remaining cash payments required for the Fox Harbour Property.

The Company has not put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. Since the Company will not have cash flows from operations over the next year, it will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended May 31, 2013 and 2012, 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:

	For the three months ended May 31,		For the six months ended May 31,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Administration and management fees	**80,331**	50,000	**130,331**	100,000
Consulting fees	**-**	19,500	**-**	41,000
Non-executive directors fees	**19,500**	9,000	**42,000**	18,000
Technology research	**51,667**	22,500	**74,167**	122,010
Mineral property expenditures				
Geological consulting	**50,000**	50,000	**100,000**	122,917
	201,498	151,000	**346,498**	403,927

At May 31, 2013, accounts payable and accrued liabilities included $186,533 (November 30, 2012: $193,665) 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 and six months ended May 31, 2013 and 2012 is identical to the table above other than share-based payments expense. During the six months ended May 31, 2013, key management received share-based payments of $68,702 (2012: $13,506).

FINANCIAL INSTRUMENTS

Designation of Financial Instruments

The Company’s financial instruments consist of cash and cash equivalents, other receivable, 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. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

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. 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. The Company had working capital as follows:

	May 31, 2013 $	November 30, 2012 $
Current assets	**564,526**	732,336
Current liabilities	**(274,434)**	(662,164)
Working capital	**290,092**	70,172

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 May 31, 2013 and November 30, 2012, 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.

OUTSTANDING SHARE CAPITAL

Authorized: Unlimited number of common shares

Issued and outstanding: 77,988,772 common shares as at July 17, 2013.

Options and warrants outstanding as at July 17, 2013:

Security	Number	Exercise Price	Expiry Date
Stock Options	713,000	$0.400	February 16, 2015
Stock Options	385,000	$0.470	June 22, 2015
Stock Options	252,500	$0.550	November 8, 2015
Stock Options	875,000	$0.600	February 25, 2016
Stock Options	955,000	$0.485	March 31, 2016
Stock Options	150,000	$0.480	April 7, 2016
Stock Options	155,000	$0.260	January 19, 2017
Stock Options	1,315,000	$0.200	October 17, 2017
Stock Options	2,660,000	$0.100	April 26, 2018
TOTAL	7,460,500		

Security	Number	Exercise Price	Expiry Date
Share Purchase Warrants	1,222,222	$0.900	January 6, 2014
Share Purchase Warrants	13,611,112	$0.900	February 25, 2014
Share Purchase Warrants	3,888,886	$0.900	March 7, 2014
Share Purchase Warrants	24,000,000	$0.100	March 22, 2014
Share Purchase Warrants	1,400,000	$0.200	April 16, 2014
Share Purchase Warrants	4,000,000	$0.200	August 8, 2014
Share Purchase Warrants	532,000	$0.200	August 22, 2014
TOTAL	48,654,220		

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the six months ended May 31, 2013 and this accompanying MD&A (together, the "Interim Filings").

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

OTHER INFORMATION

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