



Management's Discussion and Analysis  
for the Three and Six Months Ended May 31, 2014

The following information, prepared as of July 28, 2014, 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, 2014, together with the audited consolidated financial statements of the Company for the year ended November 30, 2013 and the accompanying Management's Discussion and analysis (the "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 a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note the following:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of July 28, 2014.
- 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 to 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 had been operating in two lines of business: mineral exploration in the Province of Newfoundland and Labrador, and the research and development of the starved acid leaching technology ("SALT"). The intellectual property rights in SALT were sold to InCoR Holdings Plc.'s wholly-owned subsidiary, InCoR Technologies Limited in November 2013.

In recent months, the Company has focused on pursuing opportunities and partnerships in strategic metals including, but not limited to, tin, tungsten, dysprosium and neodymium. The Company was prioritizing projects that could be partnered, funded and developed in a relatively short period of time in strategic, mining friendly jurisdictions.

## OVERALL PERFORMANCE

On December 16, 2013, the Company completed the first tranche of a non-brokered private placement of 5,211,082 units at a price of \$0.07 per unit for gross proceeds of \$364,776. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to December 16, 2015. On February 10, 2014, the Company completed the second tranche of a non-brokered private placement of 3,695,382 units at a price of \$0.07 per unit for gross proceeds of \$258,677. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to February 10, 2016. The Company has used the proceeds from the private placements to allow for the completion of due diligence on the Transaction, for maintaining and evaluating its REE properties in the Port Hope Simpson REE District, and for general working capital.

On January 21, 2014, the Company announced that it would be receiving research and development investments totaling \$225,000 from the Research & Development Corporation and from the Atlantic Canada Opportunities Agency to assist in the *Development of Innovative Technologies for the Recovery and Refining of Rare Earth Elements from Ore Mined in Labrador*. The purpose of the project is to evaluate the effectiveness and compare the commercial feasibility of a variety of innovative metallurgical processes to separate and refine rare earth elements from ore with the specific characteristics of that identified at the Company's Foxtrot Project.

On January 27, 2014, the Company announced that it had entered into a definitive share purchase agreement dated January 22, 2014 with Brasilis Kaduna Consultoria e Participações Ltda. and MS Marpin Consultoria e Participações Ltda., which set forth the terms and conditions pursuant to which Search will acquire 100% of the issued and outstanding quotas of Mineração São Francisco de Assis Ltda. ("MSFA") and which would result in a reverse takeover of Search by the Vendors (the "Transaction"). The Company also announced that it would not be pursuing a transaction with Carlos Mena Resources Ltd. Additional details are disclosed in the section below titled "Tin Transaction". An update on the Transaction was provided in news releases dated May 1, 2014 and July 16, 2014.

On July 16, 2014, the Company announced that it had delivered notice of termination of the Share Purchase Agreement with MSFA. The Company has determined that it is necessary to terminate the Share Purchase Agreement as certain conditions of the Transaction were not satisfied in a timely manner as required pursuant to the Share Purchase Agreement. The termination is effective July 15, 2014.

On July 23, 2014, the Company announced the development of a simplified metallurgical process tested on a bulk sample from the Company's Foxtrot Project to produce a high grade rare earth elements product for refining. A

patent application has been lodged with the United States Patent Office to protect the Company's ownership of this technology. This process is a significant improvement over the earlier Foxtrot work reported. The steps of grinding, flotation, gravity and magnetic separation to produce an ore concentrate are no longer required to process the Foxtrot ore. The coarse crushed ore is directly treated with small amounts of acid in a heated pug mill, a conventional mixing device, prior to water leaching.

On July 28, 2014, the Company accepted the resignations of its President and Chief Executive Officer, Mr. Stephen Keith, and the Executive Vice President, Corporate Development, Mr. Alex Penha. The Company has decided to focus its corporate strategy on the Foxtrot Project rather than continuing to pursue opportunities with tin assets.

## **OUTLOOK**

Search has been focused on pursuing opportunities and partnerships in strategic metals including, but not limited to, tin, tungsten, dysprosium and neodymium. The Company was prioritizing projects that can be partnered, funded and developed in a relatively short period of time, in strategic, friendly jurisdictions.

The Company made a strategic decision to focus on critical metals, the first of these being tin. Tin fundamentals are strong, and tin prices have risen from US\$4,000 per tonne in 2002 to US\$22,000 per tonne in 2013, on the back of strong new demand and supply constraints from existing mines and a limited pipeline of upcoming projects.

The Company recently terminated the Transaction with MSFA.

Search continues to maintain and evaluate its REE properties in the Port Hope Simpson REE District, which includes the Fox Harbour volcanic belt and the Company's flagship property, the Foxtrot Project. At present, Search Minerals Inc. operates all of its exploration through its 100% owned subsidiary, Alterra Resources Inc.

The Company is considering various strategies to eliminate its working capital deficiency. The Company will require additional financing in order to settle its liabilities and continue development of the Foxtrot Project.

## **TIN TRANSACTION**

On August 20, 2013, the Company announced that it had signed two non-binding Letters of Intent ("LOIs") with Mineração São Francisco de Assis Ltd. ("MSFA") and Carlos Mena Resources Ltd. ("CMR"), two privately held companies, each dedicated to the development and operation of tin assets in Brazil. It was noted that the LOIs outlined the general terms and conditions pursuant to which Search, MSFA and CMR would be willing to complete one or more transactions resulting in a combination of their respective business operations (the "Transactions"), and that the non-binding LOIs would each be subject to the execution of a definitive agreement (the "Definitive Agreements") between the parties. It was noted that, in the event the Definitive Agreements were to be executed, the closing of the Transactions would be subject to a number of other conditions including but not limited to the following: Board approval, receipt by Search of a favourable fairness opinion, and receipt of all necessary shareholder, stock exchange, third party, court and regulatory approvals. Search noted that it would be engaging an independent firm to conduct due diligence and an investment bank to perform an independent economic valuation. Lastly, it was noted that there could be no assurances that any transaction would result. An update on the Transactions was provided on December 17, 2013, May 1, 2014 and July 16, 2014.

On January 27, 2014, the Company announced that it had entered into a definitive share purchase agreement dated January 22, 2014 (the "Share Purchase Agreement") with Brasilis Kaduna Consultoria e Participações Ltda. ("Kaduna") and MS Marpin Consultoria e Participações Ltda. ("Marpin" and, together with Kaduna, the "Vendors"), which set forth the terms and conditions pursuant to which Search would acquire 100% of the issued and outstanding quotas (shares) of MSFA and which would result in a reverse take-over of Search by the Vendors (the "Transaction").

Pursuant to the Share Purchase Agreement, Search would acquire 100% of the outstanding quotas of MSFA in exchange for an aggregate of 135,000,000 common shares of Search (the "Search Shares") at a deemed price of \$0.055 per Search Share to be issued to the Vendors on the closing date. After giving effect to the Transaction it was expected that the Vendors would hold approximately 61.3% of the issued and outstanding Search Shares.

While the Share Purchase Agreement was the product of arm's length negotiations between Search and the Vendors, the Transaction is considered to be a transaction with a Non-Arm's Length Party (as defined in the policies of the TSX-V) by virtue of the fact that Roberto Giannetti da Fonseca is a director of Search and also an officer of each of Kaduna and MSFA. Mr. Giannetti da Fonseca holds a very small (less than 1%) equity interest in Kaduna. Mr. Giannetti da Fonseca has recused himself from all board proceedings of Search at which the Share Purchase Agreement and the Transaction were considered and approved.

On January 27, 2014, the Company announced that it would no longer be proceeding with the acquisition of the Arara tin project from CMR. While Search remains interested in the project, the Company was unable to agree to terms of the acquisition with the current owners.

On July 16, 2014, the Company announced that it had delivered notice of termination of the Share Purchase Agreement with MSFA. The Company has determined that it is necessary to terminate the Share Purchase Agreement as certain conditions of the Transaction were not satisfied in a timely manner as required pursuant to the Share Purchase Agreement. The termination is effective July 15, 2014.

## **MINERAL PROPERTIES**

*The rare metals elements ("REE") 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.*

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

### *Port Hope Simpson REE District, Labrador*

During the six months ended May 31, 2014, the Company has not conducted significant exploration activities. The majority of the work performed on the properties has been to maintain the properties in good standing with the Government of Newfoundland and Labrador and with the vendors of the Fox Harbour Property. During the period, the Company paid \$30,000 and issued 100,000 common shares at the fair value of \$5,500 to the vendors. In addition, the Company has commenced metallurgical work described below.

On January 21, 2014, the Company announced that it will receive research and development investments totaling \$225,000 from the Research & Development Corporation ("RDC") and from the Atlantic Canada Opportunities Agency ("ACOA") to assist in the *Development of Innovative Technologies for the Recovery and Refining of Rare Earth Elements from Ore Mined in Labrador (the "Project")*. Search will receive \$112,500 towards the project from each of RDC and ACOA and the Company will contribute an additional \$75,000. The Project commenced in January 2014 with an extended estimated project completion date of October 31, 2014.

The Project is evaluating the effectiveness and comparing the commercial feasibility of a variety of innovative metallurgical processes to separate and refine REE from ore with the specific characteristics of that identified at the Company's Foxtrot Project. SGS Canada Inc. ("SGS") has been engaged to perform testing on ore samples containing REE from the Company's Foxtrot Project. SGS will examine innovative methods to isolate REE from the specific matrix of ore. The current separation process involves crushing and grinding of ore, followed by gravity separation, flotation and magnetic separation to produce a concentrate containing the REE materials. The concentrate is then subjected to acid banking at 200 degrees Celsius, water leaching, purification of the leachate, and precipitation of

REE oxalate. The process options to be investigated with SGS would be designed to reduce complexity and cost of REE recovery from Foxtrot ores.

On July 23, 2014, the Company announced the development of a simplified metallurgical process tested on a bulk sample from the Company's Foxtrot Project to produce a high grade rare earth elements product for refining. A patent application has been lodged with the United States Patent Office to protect the Company's ownership of this technology. This process is a significant improvement over the earlier Foxtrot work reported. The steps of grinding, flotation, gravity and magnetic separation to produce an ore concentrate are no longer required to process the Foxtrot ore. The coarse crushed ore is directly treated with small amounts of acid in a heated pug mill, a conventional mixing device, prior to water leaching.

## TECHNOLOGY RESEARCH

On November 13, 2013, the Company entered into a Purchase Agreement with InCoR Holdings Plc.'s ("InCoR") wholly-owned subsidiary, InCoR Technologies Limited ("ICRT"), whereby ICRT agreed to purchase the intellectual property rights to the Starved Acid Leaching Technology ("SALT").

Pursuant to the Purchase Agreement, ICRT purchased SALT for a total purchase price of \$2.2 million, comprised of the following:

- \$50,000 at closing (received);
- \$50,000 upon delivery of a positive economic scoping study (received);
- \$100,000 upon completion of a positive bankable feasibility study; and,
- \$2,000,000 repayable from 25 percent of the net cash flow from a commercial application of SALT.

In order to keep the Purchase Agreement in good standing, ICRT must incur aggregate expenditures of not less than \$1,000,000 within 24 months of completing the economic scoping study.

At November 30, 2013, SALT was held in a wholly-owned subsidiary, SALT Technology Holdings Inc. During the three months ended February 28, 2014, the Company transferred its wholly-owned interest in SALT Technology Holdings Inc. to ICRT in exchange for a \$2,150,000 promissory note. The promissory note is non-interest bearing and due on completion of milestones as laid out in the Purchase Agreement. The promissory note is secured by a pledge of the SALT Technology Holdings Inc. shares.

## RESULTS OF OPERATIONS

The Company incurred a net loss of \$1,028,377 (\$0.01 per share) for the six months ended May 31, 2014 as compared to a net loss of \$645,680 (\$0.01 per share) for the six months ended May 31, 2013. 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.

	<b>2014</b>	<b>2013</b>
	(\$)	(\$)
Net loss for the period as reported	(1,028,377)	(645,680)
Add (deduct):		
Amortization	17,816	24,632
Technology research	-	88,738
Gain on debt settlement	(25,983)	-
Proceeds on sale of technology	(50,000)	-
Write-down of other receivables	35,472	-
Adjusted net loss for the period <sup>(1)</sup>	(1,051,072)	(532,310)

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

- Technology research costs during the prior period represents consulting fees, travel expenses and legal fees associated with research on SALT.
- The Company recorded a gain on debt settlement as a result of issuing 1,732,412 common shares at the fair value of \$0.055 per share to settle \$121,250 of accounts payable and accrued liabilities.
- Proceeds on sale of technology is from the sale of SALT.
- The Company has a 50% interest in the Red Wine Property and Great Western Minerals Group Ltd. ("GWG") has the remaining 50% interest. The Company acts as the operator on the Red Wine joint venture and the Company has incurred certain expenses to maintain the property. The Company has other receivables from GWG of \$35,472 which were fully allowed for during the six months ended May 31, 2014.

During the current period the Company has been primarily focused on the Transaction involving MSFA. In the comparative period, the Company had been primarily exploring its mineral properties in Newfoundland and Labrador. The increase in the adjusted net loss for the six months ended May 31, 2014 compared to the six months ended May 31, 2013 is the net result of a number of differences in various expenses as follows:

- Accounting and audit fees of \$46,737 (2013: \$43,253) are comprised of fees to maintain the accounting records and prepare financial reports as required. The fees in 2014 increased in the current period due to a review being performed on the Q1 financial statements.
- Administration expense and management fees of \$293,352 (2013: \$178,617) increased due primarily to the Company engaging a new Chief Executive Officer, an Executive Vice President (Corporate Development) and additional administrative staff in anticipation of closing the proposed Transaction involving MSFA.
- Consulting fees of \$224,100 (2013: \$61,399) increased due to engaging KPMG LLP to conduct due diligence on MSFA.
- Legal fees of \$313,173 (2013: \$15,604) increased due to the proposed Transaction.
- Regulatory and transfer agent fees of \$33,581 (2013: \$12,793) increased due to the proposed Transaction.
- Travel and accommodation expenses of \$24,850 (2013: \$17,189) increased due to the proposed Transaction.

During the six months ended May 31, 2014, the Company incurred \$518,671 of costs relating to the Transaction involving MSFA (year ended November 30, 2013 - \$264,950).

*Three months ended May 31, 2014 and 2013*

	<b>2014</b> <b>(\$)</b>	<b>2013</b> <b>(\$)</b>
Net loss for the period as reported	(516,928)	(396,917)
Add (deduct):		
Amortization	7,551	12,316
Technology research	-	39,100
Proceeds on sale of technology	(50,000)	-
Write-down of other receivables	35,472	-
Adjusted net loss for the period <sup>(1)</sup>	(523,905)	(345,501)

<sup>(1)</sup> 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, 2014 as compared to the three months ended May 31, 2013 was due primarily to an increase in administration and management fees of \$49,637 and an increase in consulting fees and legal fees of \$250,896. The increase in administration and management fees was due primarily to the Company engaging a new executives and administrative staff. Legal fees and consulting fees increased due to the proposed Transaction.

## 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, 2014.

	Three Months Ended (\$)			
	May 31, 2014	Feb 28, 2014	Nov 30, 2013	Aug 31, 2013
Total Revenues	-	-	-	-
Net Loss	(516,928)	(511,449)	(1,811,336)	(367,218)
Net Loss Per Share (basic and diluted) <sup>(1)</sup>	(0.01)	(0.01)	(0.02)	(0.00)
Total Assets	8,446,237	8,463,871	8,296,470	9,312,453
Total Liabilities	1,678,148	1,178,854	948,131	420,934
Shareholders' Equity	6,768,089	7,285,017	7,348,339	8,891,519

	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) <sup>(1)</sup>	(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

<sup>(1)</sup> The basic and diluted calculations result in the same values.

For the three months ended November 30, 2013 and November 30, 2012, the Company recorded write-downs of staking deposits and mineral properties of \$1,161,793 and \$5,246,469, respectively. The write-downs explain the increase in net loss during the quarters and the decrease in total assets and shareholders' equity.

## FINANCING ACTIVITIES

During the six months ended May 31, 2014, the Company completed financings as follows:

- i) On December 16, 2013, the Company completed the first tranche of a non-brokered private placement of 5,211,082 units at a price of \$0.07 per unit for gross proceeds of \$364,776. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to December 16, 2015. A value of \$78,166 has been attributed to the warrants using the residual method. At November 30, 2013, the Company had received \$264,676 of the gross proceeds.
- ii) On February 10, 2014, the Company completed the second tranche a non-brokered private placement of 3,695,382 units at a price of \$0.07 per unit for gross proceeds of \$258,677. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to February 10, 2016. A value of \$55,431 has been attributed to the warrants using the residual method.

The Company incurred \$11,417 of legal fees and other fees in connection with the private placements.

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.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's operations consumed approximately \$1,001,000 of cash (before working capital items) for the six months ended May 31, 2014 (2013: \$525,000) with an additional approximate \$180,000 (2013: \$817,000) utilized on mineral property acquisition costs, deferred exploration expenditures and staking costs. The cash requirement for the six months ended May 31, 2014 was fulfilled from cash on hand at the beginning of the period and from private placements of an aggregate of 8,906,464 units at a price of \$0.07 per unit for gross proceeds of \$623,453, offset by \$264,676 that had been received at November 30, 2013.

The Company's aggregate operating, investing and financing activities during the six months ended May 31, 2014 resulted in a net decrease in its cash balance from \$85,974 at November 30, 2013 to \$71,355 at May 31, 2014. The Company's working capital decreased by \$794,536 correspondingly during the period and stood at negative \$1,573,085 at May 31, 2014. The Company has accumulated losses since inception of \$14,953,635.

The Company does not have any commitments for material capital expenditures over the near term or long term other than the remaining \$15,000 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 likely 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.

## **GOING CONCERN**

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and the 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 May 31, 2014, the Company had not yet achieved profitable operations, had a working capital deficiency of \$1,573,085, had an accumulated deficit of \$14,953,635 since inception and expects to incur further losses in the development of its business. Management is in the process of obtaining additional resources and believes sufficient resources will be available as required. 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. The above factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.



## TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended May 31, 2014 and 2013, 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		For the six months ended	
	2014	May 31, 2013	2014	May 31, 2013
	\$	\$	\$	\$
Administration and management fees <sup>(1)</sup>	<b>117,500</b>	80,331	<b>214,167</b>	130,331
Consulting fees <sup>(2)</sup>	<b>22,500</b>	-	<b>45,000</b>	-
Non-executive directors fees	<b>18,000</b>	19,500	<b>37,500</b>	42,000
Technology research <sup>(2)</sup>	-	51,667	-	74,167
Mineral property expenditures				
Geological consulting <sup>(3)</sup>	<b>50,000</b>	50,000	<b>100,000</b>	100,000
	<b>208,000</b>	201,498	<b>396,667</b>	346,498

<sup>(1)</sup> Includes salary earned by the CEO, Stephen Keith, and salary earned by the VP of Corporate Development, Alexandre Penha. The business purpose of the transactions was to compensate the individuals for administration and management services provided. The Company has consulting agreements/employment agreements with Stephen Keith and Alexandre Penha. These agreements include termination clauses and change of control provisions calling for lump sum payments of one to three times average annual compensation.

<sup>(2)</sup> Includes fees billed by the VP of Technology, David Dreisinger. The business purpose of the transactions was to compensate David Dreisinger for managing and researching SALT. The Company has a consulting agreement with David Dreisinger. The agreement includes a termination clause and a change of control provision calling for lump sum payments.

<sup>(3)</sup> Includes fees billed by the VP of Exploration, Randy Miller. The business purpose of the transactions was to compensate Randy Miller for managing the mineral properties.

At May 31, 2014, accounts payable and accrued liabilities included \$686,265 (November 30, 2013: \$527,320) 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. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

During the six months ended May 31, 2014, the Company settled accounts payable and accrued liabilities of \$121,250 due to certain directors and officers of the Company by issuing 1,732,412 common shares at the fair value of \$0.055 per share resulting in a gain on settlement of accounts payable and accrued liabilities of \$25,983.

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, 2014 and 2013 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. The compensation paid or payable was for short-term benefits.

## **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 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, issuing new debt, or acquiring or disposing of assets, and by controlling 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 six months ended May 31, 2014.

### ***Designation of Financial Instruments***

The Company's financial instruments consist of cash, other receivable and accounts payable, and accrued liabilities. The Company designated its cash 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 is 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 attempting to maintain sufficient cash balances to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses. The Company had working capital deficiencies as follows:

	<b>May 31, 2014</b>	November 30, 2013
	\$	\$
Current assets	<b>105,063</b>	169,582
Current liabilities	<b>(1,678,148)</b>	(948,131)
<b>Working capital</b>	<b>(1,573,085)</b>	(778,549)

### 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, 2014 and November 30, 2013, all of the Company's cash was held in Canadian dollars, the Company's functional currency, with a nominal amount of cash held in U.S. dollars. 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: 88,727,378 common shares as at July 28, 2014.

Options and warrants outstanding as at July 28, 2014:

Security	Number	Exercise Price	Expiry Date
Stock Options	481,000	\$0.400	February 16, 2015
Stock Options	330,000	\$0.470	June 22, 2015
Stock Options	212,500	\$0.550	November 8, 2015
Stock Options	875,000	\$0.600	February 25, 2016
Stock Options	760,000	\$0.485	March 31, 2016
Stock Options	150,000	\$0.480	April 7, 2016
Stock Options	145,000	\$0.260	January 19, 2017
Stock Options	1,080,000	\$0.200	October 17, 2017
Stock Options	2,270,000	\$0.100	April 26, 2018
Stock Options	100,000	\$0.070	October 29, 2018
<b>TOTAL</b>	<b>6,403,500</b>		

Security	Number	Exercise Price	Expiry Date
Share Purchase Warrants	4,000,000	\$0.200	August 8, 2014
Share Purchase Warrants	532,000	\$0.200	August 22, 2014
Share Purchase Warrants	24,000,000	\$0.100	March 21, 2015
Share Purchase Warrants	1,400,000	\$0.200	April 16, 2015
Share Purchase Warrants	2,605,541	\$0.100	December 16, 2015
Share Purchase Warrants	1,847,691	\$0.100	February 19, 2016
<b>TOTAL</b>	34,385,232		

## 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 three and six months ended May 31, 2014 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](http://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 strategic metals 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. 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.

#### **OTHER INFORMATION**

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

#### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2013.

The following new standards, amendments and interpretations that have been adopted for the Company's current fiscal year have not had a material impact on the Company:

- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- IAS 1 "Presentation of Financial Statements" amendments