

## SEARCH MINERALS INC.

### Management's Discussion and Analysis for the Three Months Ended February 28, 2010

The following discussion and analysis, prepared as of April 29, 2010 should be read together with the unaudited consolidated financial statements for the three months ended February 28, 2010 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles together with the audited consolidated financial statements for the year ended November 30, 2009 and the accompanying annual MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated.

#### FORWARD-LOOKING STATEMENTS

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

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

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of April 29, 2010
- 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 by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* of British Columbia under the name "Search Capital Inc." On May 3, 2007 the Company completed its initial public offering and then began trading on the TSX Venture Exchange (the "Exchange") on May 7, 2007 as a Capital Pool Company as defined by policy 2.4 under the symbol SCH.P. The Company acquired 100% of the issued and outstanding shares of Alterra by way of Share Exchange Agreement and Alterra has become a wholly-owned subsidiary of the Company. The transaction constituted the Company's Qualifying Transaction (the "QT"), as defined by the Exchange, and the Company is no longer a Capital Pool Company.

Alterra held approximately 4,000 mineral claims covering approximately 100,000 hectares in the Province of Newfoundland and Labrador. The claims are spread throughout Newfoundland and Labrador and have a variety of base metal, gold and uranium prospects. Alterra was incorporated in Newfoundland and Labrador in 2006 by founding shareholders Raymond Saunders, Gary Lewis and Paul Chafe. Gary Lewis and Paul Chafe have been prospecting and processing mining claims in the province since 1990. Coincident with the closing of the QT Raymond Saunders joined the board of directors of the Company.

On June 26, 2009, Search Minerals announced that it has entered into a binding letter of intent (“LOI”) with Jim Clucas, a director of Search, and David Dreisinger (the “Vendors”) to acquire certain conceptual technologies (the “Technologies”) relating to improving metal recoveries from existing processing and production facilities.

On September 24, 2009 Search Minerals announced that further to its June 26, 2009 news release, it revised the letter of intent (“LOI”) with Jim Clucas, a director of Search, and Dr. David Dreisinger (the “Vendors”) to acquire certain conceptual technologies (the “Technologies”) relating to improving metal recoveries from existing processing and production facilities. Under the terms of the LOI, Search will continue to commit to a six month budget of \$180,000 to develop the Technologies with the view to achieving proof of concept of the Technologies however the Vendors will not be issued any common shares upon certain milestones. On September 24, 2009, the TSX approved the amended LOI and Jim Clucas was appointed President of Search and Dr. David Dreisinger was appointed as a director and as Vice-President of Technology. Dr. Dreisinger currently holds the position of Professor and Chairholder of the Industrial Research Chair in Hydrometallurgy at the University of British Columbia.

## **MINERAL PROPERTIES**

The company currently holds a number of Newfoundland and Labrador properties either acquired through the Alterra acquisition, the B and A Minerals option or subsequent staking in Labrador. Five properties have recently been the focus of exploration or planning activities: the Katie property, the Strange Lake property, the Red Wine property, the Henley Harbour property and the Port Hope Simpson REE District. The Katie property, acquired in the Alterra acquisition, has been the focus of a recently submitted 43-101 compliant report. The other properties are discussed below.

### *Strange Lake Property*

The Strange Lake property consists of two licences (013305M and 016607M) that cover a total of 45 claims (11 sq. km) in northern Labrador, about 120 km west of the coastal community of Nain. Both licenses are registered to Alterra Resources Inc., a wholly-owned subsidiary of the Company. License 013305M (21 claims) 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 north of the Quebec-Labrador border. License 16607M (24 claims) occurs east of the Strange Lake Peralkaline Granite and is presently thought to have very low REE potential.

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

The Company is negotiating a Joint Venture agreement for License 013305M that should result in a full exploration program in the summer of 2010. License 016607M has very little potential for REE and rare metals; no work is planned for the upcoming summer on this License.

### *Henley Harbour Property*

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

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

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

Most portions of the property occur within 5 km of the Trans Labrador Highway and/or 5 km of tidewater, providing excellent access to the property for exploration and development activities. The Company is planning a modest reconnaissance program of prospecting, spectrometer surveys, mapping and lithogeochemical sampling for the up-coming field season.

### *Red Wine Property*

The Company and Great Western Minerals Group Ltd. ("GWG") have recently announced (see News Release, April 12, 2010) an Option agreement for the Company's licenses in the Red Wine - Letitia Lake area. The property consists of 9 map staked licenses (013144M, 013306M, 016594M, 016596M, 016599M, 016601M, 016602M, 016628M, and 016676M) that encompass 401 claims (100 sq km.). The agreement provides a minimum of \$750,000 in expenditures for an exploration program on the property in 2010. Further terms are detailed in Note 4 of the financial statements.

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

Recent work on the property (2009) consisted of reconnaissance prospecting, sampling and assay work. A total of 23 grab samples were collected and assayed for trace, rare earth and major elements. Eudialyte-bearing samples gave up to 0.82 % total rare earth elements + Y, with Dy values ranging from 275 to 602 ppm for 6 samples. Zr values for these rocks are up to 33,801 ppm.

The Company plans an extensive exploration program for the upcoming summer to include: an airborne radiometric and magnetic survey, geological mapping, lithogeochemical sampling, trenching and prospecting. This program will outline the extent of the known REE mineralization, identify new zones of mineralization and will help to define drill targets for the 2010 drilling program. Representative samples of the REE mineralization will be collected and submitted for mineralogical work, geochemical analysis and metallurgical testing.

### *Port Hope Simpson REE District*

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 120 km and ranges in width from 4 to 10 km. The Company controls 58 licenses in this area, which consist of 11 licenses, which were acquired pursuant to an agreement with B and A Minerals Limited (see Dec. 3, 2009 News Release), and 47 additional map staked licenses for a total of 3,456 claims, which cover 864 square km. All portions of this belt are within 10 km of a local transportation network that includes all-season highways, seasonal logging roads, three ports and three airstrips.

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

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

Search plans to spend approximately \$1,000,000 on follow-up mapping, sampling and prospecting of the higher priority targets this spring/summer, leading to drill targets by late summer. Preliminary metallurgical testing and mineralogical studies of representative samples of the REE mineralization are also planned.

From the many properties acquired from Alterra Resources Inc., the Company has elected to focus its exploration efforts on four properties: Katie; Redwine / Leticia Lake; Strange Lake and Port Hope Simpson.

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

## TECHNOLOGY RESEARCH

Under the direction and guidance of Dr David Dreisinger, Search has been successful in leaching nickel and cobalt from two deposits in Brazil. Proof of Concept has been established in using the starved acid leach technology ("SALT") to samples from a saprolite nickel deposit and tailings produced from a limonitic ore.

In both cases nickel and cobalt were put into solution using this novel process which minimizes sulphuric acid consumption. Sulphuric acid is usually the largest cost component in treating nickel laterites and sufficient progress has been made to consider proceeding to the pilot plant stage. There are several options available to recover the nickel and cobalt once they have been put into solution. Patent protection for the SALT is currently underway.

## RESULTS OF OPERATIONS

The Company incurred a net loss of \$504,156 (\$0.04 per share) for the three months ended February 28, 2010 as compared to a net loss of \$22,490 (\$0.00 per share) for the 2009 period. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported net loss to produce an adjusted net loss that forms a better basis for comparing the period over period operating results of the Company.

	February 28, 2010	February 28, 2009
	(\$)	(\$)
Net loss for the period as reported	(504,156)	(22,490)
Amortization	726	410
Stock-based compensation	260,442	-
Technology research	100,000	-
Adjusted net loss for the period <sup>(1)</sup>	(142,988)	(22,080)

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

- Stock-based compensation charged for the quarter ended February 28, 2010 resulted from the Company granting 875,000 stock options. There were no stock options granted during the 2009 period.

- Technology research costs represent proof of concept bonuses paid to the Vendors of the Technologies.

The increase to the adjusted net loss recorded in the first quarter of fiscal 2010 as compared to first quarter of fiscal 2009 is mainly the result of increased business activities. In the prior period, the Company had only recently completed their Qualifying Transaction for a Capital Pool Corporation and the Company had not yet begun significant exploration activities. During the current quarter, the Company has been actively exploring its mineral properties in Newfoundland and Labrador. Of note are the following items:

- Accounting and audit fees increased from \$1,035 to \$22,706. The fees for the current period relate to work done to complete the 2009 year end accounting, general bookkeeping and fees relating to restating the quarterly financial statements for the correction of the accounting treatment relating to the acquisition of Alterra in October of 2008.
- Administration expense and management fees increased from \$3,941 to \$27,330. The increase is due to management fees charged by the President and CEO for his services and for services rendered by an administrator.
- Consulting fees increased from \$2,000 to \$50,135 due to fees charged by the Vice President of Technology and fees charged by the Vice President of Exploration for their services during the quarter. Also included were fees incurred in order to prepare promotional materials relating to the REE properties and to attend various geological conferences.
- Rent increased from \$3,000 to \$4,800 as the Company increased its office space to accommodate the increase in Company activities.

#### 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 February 28, 2010.

	Three Months Ended (\$)			
	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	May 31, 2009
Total Revenues	329	1,708	77	nil
Net Loss	(504,156)	(97,462)	(75,733)	(25,956)
Net Loss Per Share (basic and diluted)	(0.04)	(0.01)	(0.01)	(0.01)
Total Assets	2,760,646	1,647,444	1,173,345	1,239,685
Total Liabilities	113,129	330,463	49,557	65,814
Shareholders' Equity	2,647,517	1,316,981	1,123,788	1,173,871
	Three Months Ended (\$)			
	Feb 28, 2009	Nov 30, 2008	Aug 31, 2008	May 31, 2008
Total Revenues	107	2,201	386	2,082
Net Loss	(22,490)	(711,098)	(12,864)	(41,348)
Net Loss Per Share (basic and diluted)	(0.00)	(0.16)	(0.02)	(0.01)
Total Assets	1,262,093	1,283,738	345,249	385,434
Total Liabilities	62,066	63,171	1,503	18,825
Shareholders' Equity	1,199,827	1,220,567	343,746	356,069

The net loss for the three months ended February 28, 2010 was mainly due to stock-based compensation expense of \$260,442.

For the three months ended November 30, 2009 and 2008, the Company had no revenue other than nominal interest income. Net loss totaled \$97,462 (2008 - \$711,098). The large variation in net loss was mainly due to the write-down of mineral properties and staking deposits of \$485,682 and \$100,400 during fiscal 2008. During fiscal 2009, the write-down of mineral properties and staking deposits was much lower at \$31,584 and \$30,350, respectively.

The net loss for the three months ended November 30, 2009 and 2008, net of the write-downs, was \$35,528 and \$125,016. The decrease in the net loss from 2008 to 2009 was due to the business investigation costs and professional fees expensed relating to the preparation of the Filing Statement completed in the fourth quarter of 2008.

## **FINANCING ACTIVITIES**

During the three months ended February 28, 2010, the Company completed a non-brokered private placement of 2,500,000 units at a price of \$0.35 per unit for gross proceeds of \$875,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.50 per share up to February 11, 2011. A value of \$12,500 has been attributed to the warrants using the residual method. The Company incurred \$7,750 of legal fees and other fees in connection with the private placement.

Subsequent to February 28, 2010, the following financing activity occurred:

On March 5, 2010, the Company closed a non-brokered private placement of up to 2,400,000 units at a price of \$0.35 per unit for gross proceeds of \$840,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.50 per share up to March 5, 2011. The Company paid a cash commission of \$58,469 in connection with the private placement. At February 28, 2010 the Company had received \$707,000 of subscriptions for this private placement.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's operations consumed approximately \$243,000 of cash (before working capital items) for the three months ended February 28, 2010 (2009 - \$22,000) with an additional approximate \$289,000 (2009 - \$3,000) utilized on mineral property acquisitions and deferred exploration expenditures. The cash requirement was fulfilled in the first quarter of fiscal 2010 from cash on hand at the beginning of the period as well as \$1,574,000 of cash raised from equity financings.

The Company's aggregate operating, investing and financing activities during the three months ended February 28, 2010 resulted in a net increase in its cash balance from \$592,132 at November 30, 2009 to \$1,543,456 at February 28, 2010. The Company's working capital increased by \$1,165,379 correspondingly during the same period, and stood at \$1,474,700 at February 28, 2010. In addition, the Company has accumulated losses since inception of \$1,603,309. Subsequent to the period end, the Company raised additional equity financing as described elsewhere in this report.

The Company does not have any commitment 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 \$120,000 in remaining cash payments required for the Port Hope Simpson Property as described in Note 4 to the attached interim financial statements.

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

## TRANSACTIONS WITH RELATED PARTIES

During the three months ended February 28, 2010 and 2009, 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:

	2010	2009
Administration and management fees	\$ 22,500	\$ -
Consulting fees	31,750	2,000
Technology research	100,000	-
Mineral property expenditures		
Geological consulting	7,500	-
	\$ 161,750	\$ 2,000

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

At February 28, 2010, accounts payable and accrued liabilities included \$39,421 (November 30, 2009: \$108,285) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company did not adopt any new accounting policies during the three months ended February 28, 2010.

### Future accounting changes

#### *Business combinations, consolidated financial statements and non-controlling interest*

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date.

It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

*International Financial Reporting Standards ("IFRS")*

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

PHASE	DESCRIPTION AND STATUS
<i>PRELIMINARY PLANNING AND SCOPING</i>	<p>This phase involves the development of the IFRS conversion plan and is in progress at this time. The IFRS conversion plan will include consideration of the impacts of IFRS on the Company's consolidated financial statements, internal control over financial reporting, information systems and business activities such as foreign operations, compensation metrics, and personnel and training requirements.</p> <p>Management expects minimal impact on information systems and compensation metrics will arise from converting to IFRS.</p> <p>The IFRS conversion plan will include a high level impact assessment of IFRS effective in 2010, as relevant to the Company. This initial assessment will identify those standards of high or medium priority to the Company, based on a number of factors. The International Accounting Standards Board has activities currently underway which may, or will, change the standards effective upon the Company's adoption of IFRS, and therefore may impact this initial high level assessment. The Company will assess any such change as a component of its Detailed Impact Assessment phase and update its IFRS conversion plan as appropriate.</p>
<i>DETAILED IMPACT ASSESSMENT</i>	<p>This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or will result in accounting and/or disclosure differences in the Company's consolidated financial statements, along with quantification of impact on key line items and disclosures. The phase includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to IFRS and evaluation of the impact on outstanding operational elements such as debt covenants and budgeting. The Company has not as yet commenced its detailed review of IFRS relevant to the Company and identification of key differences. The Company expects to complete this phase by the end of fiscal 2010.</p>
<i>IMPLEMENTATION</i>	<p>This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant consolidated financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS consolidated financial statements. The IFRS changeover is expected to impact the</p>



	<p>presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements and related notes effective December 1, 2011, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.</p>
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**FINANCIAL INSTRUMENTS**

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the immediate or short term maturity of these items.

Foreign Exchange Risk

As at February 28, 2010 and November 30, 2009, 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.

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.

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.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date.

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.

**OUTSTANDING SHARE CAPITAL**

Authorized: Unlimited number of common shares  
 Issued and outstanding: 17,875,385 common shares as at April 29, 2010.

Options and warrants outstanding as at April 29, 2010:

Security	Number	Exercise Price	Expiry Date
Stock Options	200,000	\$0.20	May 3, 2012
Stock Options	450,000	\$0.10	July 3, 2014
Stock Options	875,000	\$0.40	February 16, 2015
Share Purchase Warrants	100,000	\$0.15	September 23, 2010
Share Purchase Warrants	820,000	\$0.15	September 24, 2010
Share Purchase Warrants	80,000	\$0.15	October 8, 2010
Share Purchase Warrants	450,500	\$0.46	October 23, 2010
Share Purchase Warrants	2,500,000	\$0.50	February 12, 2011
Share Purchase Warrants	2,400,000	\$0.50	March 5, 2011

## 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 audited consolidated financial statements for the year ended November 30, 2009 and this accompanying MD&A.

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 Annual 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 short and long term objectives. The ability of the Company to raise such financing in the future will depend on the prevailing market conditions, 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 resource 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.

## **OUTLOOK**

In reviewing the portfolio of properties that were acquired pursuant to the Alterra transaction the Company has determined that it should focus on the development of the rare earth element deposits ("REE's") at Strange Lake and Redwine / Leticia Lake. In addition, the Company entered into an option agreement with B&A Minerals for claim blocks near Port Hope Simpson, southeast Labrador. The Company has staked significant parcels of land to the northwest and southeast of the B&A claims which appear to be highly prospective for REEs.

The Company is in the process of receiving quotes from an engineering company to take the proprietary process called SALT to the pilot project stage.

## **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://searchminerals.ca>.