SEARCH MINERALS INC.
(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2011

(unaudited)

Search Minerals Inc. (An Exploration Stage Company)

Interim Consolidated Financial Statements

Three months ended February 28, 2011

NOTICE OF NO AUDITOR REVIEW OF

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

SEARCH MINERALS INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)

	February 28, 2011	November 30, 2010
ASSETS		
Current		
Cash and cash equivalents	$ 9,888,954	$ 1,518,387
HST/GST recoverable	192,306	314,396
Other receivable (Note 6)	-	427,337
Marketable securities (Note 3)	89,000	40,000
Other assets	23,352	33,554
	10,193,612	2,333,674
Equipment (Note 4)	108,998	116,214
Staking deposits (Note 5)	316,941	306,659
Mineral properties and deferred exploration (Note 6 and Schedule 1)	4,367,275	3,240,213
	$ 14,986,826	$ 5,996,760
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 625,575	$ 1,621,346
Shareholders' equity		
Share capital (Note 7)	13,816,767	6,292,197
Subscriptions received (Notes 7 and 12)	2,277,500	-
Warrants	158,764	97,097
Contributed surplus	1,036,083	673,608
Accumulated other comprehensive income	69,500	20,500
Deficit	(2,997,363)	(2,707,988)
	14,361,251	4,375,414
	$ 14,986,826	$ 5,996,760

Nature of Operations (Note 1)
Commitments (Notes 6, 7 and 12)
Subsequent Events (Notes 6, 7 and 12)

On behalf of the Board:

"James Patterson" Director — James Patterson

"James Clucas" Director — James Clucas

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended February 28, 2011		For the three months ended February 28, 2010	
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit	**$**	**20,543**	$	22,706
Administration expense and management fees (Note 8)		**54,845**		27,330
Amortization		**11,798**		726
Bank charges		**1,195**		1,276
Consulting fees (Note 8)		**18,103**		50,135
Legal fees		**12,962**		11,680
Office and miscellaneous		**37,177**		14,246
Regulatory and transfer agent fees		**12,500**		9,240
Rent		**8,100**		4,800
Stock-based compensation (Note 7(c))		**360,793**		260,442
Travel and accommodation		**9,352**		1,904
Loss for the period before other items		**(547,368)**		(404,485)
Other income (expense) items				
Interest income		**1,368**		329
Operator fee income (Note 6)		**1,558**		-
Technology research (Note 8)		**(57,433)**		(100,000)
Loss for the period before income taxes		**(601,875)**		(504,156)
Future income tax recovery (Note 7(f))		**312,500**		-
Loss for the period	**$**	**(289,375)**	$	(504,156)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.04)
Weighted average number of common shares outstanding		**25,519,095**		13,269,890

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	For the three months ended February 28,			
		2011		2010
Net loss for the period	**$**	**(289,375)**	$	(504,156)
Other comprehensive income in the period				
Unrealized gain on marketable securities (Note 3)		**49,000**		-
Comprehensive loss for the period	**$**	**(240,375)**	$	(504,156)

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the three months ended February 28, 2011	2010
Cash (used in) provided by		
OPERATING ACTIVITIES		
Net loss for the period	**$ (289,375)**	$ (504,156)
Items not affecting cash:		
Amortization	**11,798**	726
Future income tax recovery	**(312,500)**	-
Stock-based compensation	**360,793**	260,442
	(229,284)	(242,988)
Changes in non-cash working capital items:		
HST/GST recoverable	**122,090**	1,779
Other assets	**10,202**	1,500
Accounts payable and accrued liabilities	**(39,410)**	(52,357)
	(136,402)	(292,066)
INVESTING ACTIVITIES		
Mineral property costs, net	**(1,903,423)**	(289,268)
Other receivables	**427,337**	-
Purchase of equipment	**(4,582)**	(3,165)
Staking costs, net of recoveries	**(10,282)**	(38,427)
	(1,490,950)	(330,860)
FINANCING ACTIVITIES		
Issuance of common shares, net of issue costs	**7,720,419**	867,250
Share subscriptions received	**2,277,500**	707,000
	9,997,919	1,574,250
Increase in cash and cash equivalents during the period	**8,370,567**	951,324
Cash and cash equivalents, beginning of the period	**1,518,387**	592,132
Cash and cash equivalents, end of the period	**$ 9,888,954**	$ 1,543,456
Cash paid for interest	**$ -**	$ -
Cash paid for income taxes	**$ -**	$ -

Non-cash Transactions (Note 10)

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the three months ended February 28, 2011 and 2010
(unaudited)

	Issued Share Capital							
	Number of Shares	Amount	Subscriptions Received	Warrants	Contributed Surplus	AOCI	Deficit	Total Shareholders' Equity
Balance, November 30, 2009	12,775,385	$ 2,267,666	$ -	$ 70,800	$ 77,668	$ -	$ (1,099,153)	$ 1,316,981
For cash pursuant to private placements of units	2,500,000	862,500	707,000	12,500	-	-	-	875,000
Less: Issue costs – cash	-	(7,750)	-	-	-	-	-	(7,750)
Stock-based compensation	-	-	-	-	260,442	-	-	260,442
Net loss for the period	-	-	-	-	-	-	(504,156)	(504,156)
Balance, February 28, 2010	15,275,385	$ 3,122,416	$ 707,000	$ 83,300	$ 338,110	$ -	$ (1,603,309)	$ 2,647,517
Balance, November 30, 2010	23,620,885	$ 6,292,197	$ -	$ 97,097	$ 673,608	$ 20,500	$ (2,707,988)	$ 4,375,414
For cash pursuant to private placements of units	14,833,334	6,600,833	1,750,000	74,167	-	-	-	8,425,000
Less: Issue costs – cash	-	(36,415)	-	-	-	-	-	(36,415)
Pursuant to mineral property agreements (Note 6)	250,000	180,000	-	-	-	-	-	180,000
Pursuant to warrant exercises	2,163,667	1,081,834	527,500	-	-	-	-	1,609,334
Transfer on exercise of warrants	-	10,818	-	(10,818)	-	-	-	-
Transfer on expiry of warrants	-	-	-	(1,682)	1,682	-	-	-
Future income tax on flow-through shares	-	(312,500)	-	-	-	-	-	(312,500)
Stock-based compensation	-	-	-	-	360,793	-	-	360,793
Comprehensive income for the period	-	-	-	-	-	49,000	-	49,000
Net loss for the period	-	-	-	-	-	-	(289,375)	(289,375)
Balance, February 28, 2011	**40,867,886**	**$ 13,816,767**	**$ 2,277,500**	**$ 158,764**	**$ 1,036,083**	**$ 69,500**	**$ (2,997,363)**	**$ 14,361,251**

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

1. Nature of Operations

Search Minerals Inc. (the "Company") was incorporated under the provisions of the Business Corporation Act (British Columbia) on June 7, 2006. On May 3, 2007, the Company commenced trading on the TSX Venture Exchange (the "TSX-V"). The Company is in the business of acquiring, exploring and evaluating mineral resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At February 28, 2011, the Company was in the exploration stage and had properties located in Canada.

The Company is currently exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and deferred exploration is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and the attainment and maintenance of future profitable production or disposition thereof. The amounts shown as mineral properties represent costs incurred to date, less amounts recovered from third parties and/or written-down, and do not necessarily represent current or future fair values.

2. Significant Accounting Policies

These unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), following accounting policies consistent with the Company's audited consolidated financial statements and notes thereto for the year ended November 30, 2010. These consolidated financial statements do not include all the disclosures required by GAAP for annual financial statements and should be read in conjunction with the most recent audited consolidated financial statements of the Company.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Alterra Resources Inc. All intercompany transactions and balances have been eliminated.

Recently adopted accounting policies

Business combinations, consolidated financial statements and non-controlling interest

Effective December 1, 2010, the Company elected to early adopt CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", 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).

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).

To date there has been no impact on the Company's financial statements as a result of the adoption of these sections.

2. Significant Accounting Policies (continued)

Future accounting and reporting changes

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2010. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

3. Marketable Securities

On June 2, 2010, the Company received 200,000 common shares of Great Western Minerals Group Ltd. ("GWG") pursuant to a mineral property option agreement. During the year ended November 30, 2010, 100,000 of these shares were sold, leaving a balance of 100,000 common shares of GWG at November 30, 2010 and February 28, 2011. The shares have been classified as an available-for-sale financial instrument and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income.

Based on GWG's closing trading price on February 28, 2011 of $0.89 per share, an unrealized gain of $49,000 was recognized as other comprehensive income during the three months ended February 28, 2011 on the revaluation of the shares to $89,000 at February 28, 2011 (November 30, 2010: $40,000).

4. Equipment

	February 28, 2011		
	Cost	Accumulated Amortization	Net
Vehicles	**$ 13,771**	**$ 10,057**	**$ 3,714**
Buildings	**10,000**	**975**	**9,025**
Office furniture and equipment	**13,260**	**5,295**	**7,965**
Field equipment	**130,572**	**42,278**	**88,294**
	$ 167,603	**$ 58,605**	**$ 108,998**

	November 30, 2010		
	Cost	Accumulated Amortization	Net
Vehicles	$ 13,771	$ 9,756	$ 4,015
Buildings	10,000	500	9,500
Office furniture and equipment	8,678	4,083	4,595
Field equipment	130,572	32,468	98,104
	$ 163,021	$ 46,807	$ 116,214

5. Staking Deposits

Staking security deposits are refundable if certain exploration expenditure criteria specified in the Mineral Act of the Province of Newfoundland and Labrador are met. Until such time as the Company makes application to have the deposits refunded, they will be classified as a non-current asset.

The Company has refundable deposits with the Governments of Newfoundland and Labrador as follows:

		Total
Balance, November 30, 2010	$	306,659
Additions		12,402
Recoveries		(2,120)
Balance, February 28, 2011	$	316,941

6. Mineral Properties – Schedule 1

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

The Company acquired the mineral properties primarily by staking the claims. In order to maintain title to the claims, the Company must incur minimum exploration expenditures per claim as specified by the Mineral Act of the Province of Newfoundland and Labrador. In lieu of incurring the minimum expenditures, the Company may make security deposits with the Government of Newfoundland and Labrador (Note 5). Other commitments relating to mineral properties are as follows:

Port Hope Simpson, B and A Claims, Labrador

On December 10, 2009, the Company entered into a binding letter of intent (the "LOI") with B and A Minerals Inc. ("B and A"), further defined in a Mining Option Agreement, for an option to acquire an undivided 100% interest in and to certain claims in southeast Labrador owned by B and A ("Port Hope Simpson, B and A Claims").

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in Port Hope Simpson, B and A Claims, the Company must pay B and A an aggregate of $140,000. The Company paid $20,000 during the year ended November 30, 2010 and $30,000 during the three months ended February 28, 2011. The Company must pay $40,000 on or before January 14, 2012 and $50,000 on or before January 14, 2013.

The Company must also issue an aggregate 1,100,000 common shares of the Company. The Company issued 200,000 common shares on March 29, 2010 at the fair value of $80,000 and 250,000 common shares on January 14, 2011 at the fair value of $180,000. The Company must issue 300,000 shares on or before January 14, 2012 and 350,000 shares on or before January 14, 2013.

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

6. Mineral Properties – Schedule 1 (continued)

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

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

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

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

Strange Lake Property, Labrador

On June 22, 2010, the Company entered into an agreement with Quest Rare Minerals Ltd. ("Quest") pursuant to which Quest transferred four licenses consisting of nine mineral claims to the Company in consideration for 10,000 common shares of the Company (issued at the fair value of $4,700). The mineral claims are located adjacent to the Company's Strange Lake Property.

On June 22, 2010, the Company entered into an option agreement with Quest pursuant to which the Company has granted Quest an option (the "Option") to acquire up to a 65% undivided working interest in the Company's Strange Lake Property located on 750 hectares in western Labrador in the Province of Newfoundland and Labrador.

Pursuant to the option agreement, Quest may earn a 50% undivided working interest in the Strange Lake Property by issuing an aggregate of 90,000 common shares of Quest to the Company over a period of three years as follows:

- 10,000 common shares of Quest on June 22, 2010, 2010 (received at the fair value of $21,400);
- 15,000 common shares of Quest on or before June 14, 2011;
- 25,000 common shares of Quest on or before June 14, 2012; and,
- 40,000 common shares of Quest on or before June 14, 2013.

In addition, Quest must incur mineral exploration expenditures of $500,000 in aggregate over a period of three years as follows:

- $100,000 on or before June 14, 2011;
- $150,000 on or before June 14, 2012; and,
- $250,000 on or before June 14, 2013.

Upon Quest earning a 50% undivided working interest in the Strange Lake Property, Quest may earn an additional 15% undivided working interest in the property by incurring additional mineral exploration expenditures of $1,250,000 in aggregate over a period of two years and paying $75,000 in cash to the Company on or before June 14, 2014.

The property is subject to a 1.5% net smelter return royalty ("NSR royalty") in favour of the Company. Quest may, at any time, purchase two-thirds of the 1.5% NSR royalty for $1,000,000.

6. Mineral Properties – Schedule 1 (continued)

Quest will be the operator for the property and the Company will pay Quest an amount equal to 10% of the expenditures incurred by Quest for each year of the Option. During the three months ended February 28, 2011, the Company recorded operator fees of $nil with respect to the Option (2010: $nil).

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 can 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 will pay an aggregate of $225,000 and GWG will issue an aggregate of 1,050,000 common shares as follows:

- $50,000 (received) and 200,000 common shares of GWG on March 16, 2010 (received at the fair value of $39,000);
- $75,000 (received) and 350,000 common shares of GWG on or before April 30, 2011; and,
- $100,000 and 500,000 common shares of GWG on or before April 30, 2012.

GWG will also fund an exploration program of an aggregate of $1,500,000 of exploration expenditures as follows:

- $750,000 on or before March 16, 2011 (incurred);
- $250,000 on or before March 16, 2012 (incurred); and,
- $500,000 on or before March 16, 2013.

The Company will be the operator of the exploration activities and GWG will pay the Company a 10% operator fee, payable in cash. During the three months ended February 28, 2011, the Company recorded $1,558 of operator fee income (2010: $nil).

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

At November 30, 2010, other receivable of $427,337 was comprised of mineral exploration expenditures incurred by the Company on behalf of GWG. During the three months ended February 28, 2011, the Company received the amount in full.

7. Share capital

a. Common shares authorized

Unlimited number of common shares

b. Financings

During the three months ended February 28, 2011:

i) On January 6, 2011, the Company completed the first tranche of a non-brokered private placement of 1,222,222 units at a price of $0.45 per unit for gross proceeds of $550,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at $0.70 per common share up to January 6, 2012, $0.80 per common share up to January 6, 2013 and $0.90 per common share up to January 6, 2014. A value of $6,111 has been attributed to the warrants using the residual method.

7. Share capital (continued)

ii) On February 25, 2011, the Company completed the second tranche of a non-brokered private placement of 13,611,112 units at a price of $0.45 per unit for gross proceeds of $6,125,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at $0.70 per common share up to February 25, 2012, $0.80 per common share up to February 25, 2013 and $0.90 per common share up to February 25, 2014. A value of $68,056 has been attributed to the warrants using the residual method.

The Company incurred $36,415 of legal fees and other fees in connection with the January 6, 2011 and February 25, 2011 private placements.

c. Stock option plan

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V. Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company.

Changes in share purchase options during the three months ended February 28, 2011 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2010	2,250,000	$0.37	4.16
Granted	875,000	$0.60	
Forfeited	(40,000)	$0.43	
Outstanding and exercisable, February 28, 2011	3,085,000	$0.43	4.21

At February 28, 2011, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
100,000	$0.20	May 3, 2012
450,000	$0.10	July 3, 2014
775,000	$0.40	February 16, 2015
585,000	$0.47	June 22, 2015
300,000	$0.55	November 8, 2015
875,000	$0.60	February 25, 2016
3,085,000		

7. Share capital (continued)

The weighted average fair value of share purchase options granted during the three months ended February 28, 2011 of $0.41 (2010: $0.30) per option was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	1.98%	1.98%
Expected life	4.0 years	4.0 years
Expected volatility	116%	134%
Expected dividends	Nil	Nil
Expected forfeitures	10%	Nil

During the three months ended February 28, 2011, the Company recorded stock-based compensation expense of $360,793 (2010: $260,442).

d. Warrants

Changes in share purchase warrants during the three months ended February 28, 2011 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2010	9,464,000	$0.63	0.94
Issued	14,833,334	$0.70	
Exercised	(2,163,667)	$0.50	
Expired	(336,333)	$0.50	
Balance, February 28, 2011	21,797,334	$0.69	2.34

At February 28, 2011, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
(1) 2,400,000	$0.50	March 5, 2011
2,420,000	$0.75	May 31, 2012
2,144,000	$0.80	November 1, 2011
	$1.00	November 1, 2012
1,222,222	$0.70	January 6, 2012
	$0.80	January 6, 2013
	$0.90	January 6, 2014
13,611,112	$0.70	February 25, 2012
	$0.80	February 25, 2013
	$0.90	February 25, 2014
21,797,334		

(1) Subsequent to February 28, 2011, 1,900,000 of these share purchase warrants were exercised for gross proceeds of $950,000. The remaining 500,000 of these warrants expired unexercised. At February 28, 2011, $527,500 of an aggregate of $2,277,500 of subscriptions received relates to these share purchase warrant exercises.

7. Share capital (continued)

e. Escrow

As a result of the acquisition of Alterra Resources Inc., the Qualifying Transaction as defined by the TSX-V (the "QT"), in October, 2008, an aggregate of 2,985,000 common shares were placed in escrow. 10% of the escrowed shares (298,500 shares) were released on completion and approval of the QT. An additional 15% (447,750 shares) of the aggregate escrowed common shares will be released on each six month anniversary of the completion of the QT. As at February 28, 2011, the Company had 895,500 (November 30, 2010: 895,500) shares held in escrow. The final 447,750 common shares will be released from escrow on November 1, 2011.

f. Flow-through Shares

During May 2010, the Company issued 420,000 flow-through units at $0.60 per flow-through unit for gross proceeds of $252,000. In connection with this, the Company must incur eligible Canadian Exploration Expenditures of $252,000 on or before December 31, 2011. The Company incurred aggregate eligible Canadian Exploration Expenditures in this amount prior to November 30, 2010.

During November 2010, the Company issued 2,000,000 flow-through units at a price of $0.50 flow-through unit for gross proceeds of $1,000,000, of which $998,000 applies to the flow-through shares. In connection with this, the Company must incur eligible Canadian Exploration Expenditures of $998,000 on or before December 31, 2011.

During the three months ended February 28, 2011, the Company renounced an aggregate of $1,250,000 to the subscribers effective December 31, 2010. The amount will not be available to the Company for future deduction from taxable income. The future income tax liability estimated to be $312,500 (by applying a future tax rate of 25%) resulting from the renunciation of these qualifying expenditures was recorded during the three months ended February 28, 2011 when the renunciation tax forms were filed, and share capital was reduced accordingly. As the Company had sufficient future income tax assets to offset the future income tax liability, the Company recorded a recovery of future income tax of $312,500 during the three months ended February 28, 2011.

8. Related Party Transactions

During the three months ended February 28, 2011 and 2010, 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:

	2011	2010
Administration expense and management fees	**$ 42,000**	$ 22,500
Consulting fees	**-**	31,750
Technology research	**22,500**	100,000
Mineral property expenditures		
Geological consulting	**30,000**	7,500
	$ 94,500	$ 161,750

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

8. Related Party Transactions (continued)

At February 28, 2011, accounts payable and accrued liabilities included $14,300 (November 30, 2010: $93,971) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

9. Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivable, marketable securities and accounts payable and accrued liabilities. The Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. The other receivable is designated as loans and receivables, which is measured at amortized cost. The marketable securities are designated as available-for-sale financial assets, which are measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

The Company's investments in marketable securities are transacted in active markets. The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

- Level 2 – Level 2 valuation is based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of risks associated with financial assets and liabilities are detailed below:

<u>Credit Risk</u>

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

<u>Commodity Price Risk</u>

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

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. The Company's accounts payable and accrued liabilities are all due within several months.

9. Financial Instruments (continued)

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 February 28, 2011 and November 30, 2010, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

b) *Interest Rate Risk*

The Company has investments in guaranteed investment certificates that are highly liquid. As such, the Company has been exposed to nominal interest rate risk.

c) *Price Risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company holds common shares of GWG. The Company is subject to price risk due to changes in the fair value of the GWG common shares. GWG is traded on the TSX-V. A 5% change in the fair value of the GWG and Quest shares would result in the Company incurring an unrealized gain/loss of $4,450.

10. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the three months ended February 28, 2011 the following transactions were excluded from the statement of cash flows:

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

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

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

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

During the three months ended February 28, 2010 the following transaction was excluded from the statement of cash flows:

a) deferred exploration expenditures of $34,780 included in accounts payable and accrued liabilities at February 28, 2010, less expenditures included in accounts payable at November 30, 2009 of $199,757 (net inclusion of $164,977).

11. Comparative Figures

Certain comparative amounts have been reclassified to conform to the current period's presentation.

12. Subsequent Events

Additional subsequent events are disclosed in Notes 6 and 8.

Private Placement

On March 7, 2011, the Company completed the third tranche of a non-brokered private placement totaling 3,888,886 units at $0.45 per unit for gross proceeds of $1,750,000. Each unit is comprised of one common share and one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.70 per common share up to March 7, 2012, $0.80 per common share up to March 7, 2013 and $0.90 per common share up to March 7, 2014. At February 28, 2011, $1,750,000 of an aggregate of $2,277,500 of subscriptions received relates to this private placement.

Stock Options

On March 31, 2011, the Company granted stock options to directors, officers and consultants which allow for the purchase of 1,210,000 common shares of the Company at a price of $0.485 per share up to March 31, 2016.

On April 7, 2011, the Company granted stock options to directors which allow for the purchase of 300,000 common shares of the Company at a price of $0.48 per share up to April 7, 2016.

Search Minerals Inc.
(An Exploration Stage Company)
INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the three months ended February 28, 2011
(unaudited)

	Port Hope Simpson REE District, Labrador	Red Wine, Labrador	Katie, Newfoundland	Other, Newfoundland and Labrador	Total
Balance, November 30, 2010	$ 2,909,884	$ -	$ 199,531	$ 130,798	$ 3,240,213
Acquisition costs					
Cash	40,000	-	-	-	40,000
Shares	180,000	-	-	-	180,000
	220,000	-	-	-	220,000
Deferred exploration costs					
Assays	410,974	-	-	102,272	513,246
Camp	37,510	-	-	-	37,510
Drilling	173,059	-	-	-	173,059
Geological consulting (Note 8)	33,825	-	2,025	-	35,850
Other	118,866	900	-	4,875	124,641
Prospecting	22,756	-	-	-	22,756
	796,990	900	2,025	107,147	907,062
Balance, February 28, 2011	**$ 3,926,874**	**$ 900**	**$ 201,556**	**$ 237,945**	**$ 4,367,275**