SEARCH MINERALS INC.
(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2012 AND 2011

(Unaudited – expressed in Canadian dollars)

Search Minerals Inc. (An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

Six months ended May 31, 2012 and 2011

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed 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)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – expressed in Canadian dollars)

	Note	**May 31, 2012 $**	November 30, 2011 $
ASSETS			
Current			
Cash and cash equivalents		**300,602**	3,547,916
HST recoverable		**689,259**	410,194
Other receivable	**7**	**164,711**	753,272
Marketable securities	**4**	**-**	405,500
Other assets		**65,902**	93,065
		1,220,474	5,209,947
Equipment	**5**	**173,526**	210,791
Reclamation deposits		**50,000**	50,000
Staking deposits	**6**	**151,981**	288,350
Mineral properties and deferred exploration (Schedule 1)	**7**	**12,482,454**	10,389,602
		14,078,435	16,148,690
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Current			
Accounts payable and accrued liabilities	**8,11**	**676,536**	2,085,590
Equity attributable to shareholders			
Share capital	**9**	**16,669,285**	16,539,085
Warrants		**154,108**	166,208
Contributed surplus		**1,681,088**	1,659,276
Accumulated other comprehensive loss		**-**	(115,023)
Deficit		**(5,102,582)**	(4,186,446)
		13,401,899	14,063,100
		14,078,435	16,148,690

Nature of Operations and Going Concern (Note 1)
Commitments (Notes 7, 9 and 10)
Subsequent Events (Notes 7 and 9(c))

On behalf of the Board:

"James Patterson" Director — James Patterson

"James Clucas" Director — James Clucas

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited – expressed in Canadian dollars)

	Note	For the three months ended May 31, **2012** $	2011 $	For the six months ended May 31, **2012** $	2011 $
GENERAL AND ADMINISTRATIVE EXPENSES					
Accounting and audit		**28,123**	16,525	**54,789**	37,068
Administration and management fees	**11**	**66,398**	71,968	**140,678**	113,313
Amortization		**19,787**	20,667	**39,294**	32,465
Consulting fees	**11**	**2,624**	47,579	**55,044**	65,682
Legal fees		**21,967**	27,972	**30,433**	40,934
Non-executive directors fees	**11**	**9,000**	10,500	**18,000**	24,000
Office and miscellaneous		**54,306**	59,022	**160,971**	97,394
Regulatory and transfer agent fees		**2,150**	12,992	**12,810**	25,492
Rent		**5,700**	8,100	**12,309**	16,200
Share-based payments	**9(c)**	**-**	516,717	**27,912**	877,510
Travel and accommodation		**31,134**	48,211	**51,602**	57,563
Loss for the period before other items		**(241,189)**	(840,253)	**(603,842)**	(1,387,621)
Other income (expense) items					
Gain on option agreement	**7**	**-**	355,000	**-**	355,000
Gain (loss) on sale of marketable securities	**4**	**-**	13,324	**(153,326)**	13,324
Interest income		**2,762**	19,706	**7,946**	21,074
Operator fee income	**7**	**491**	9,383	**4,085**	10,941
Technology research	**10,11**	**(3,267)**	(87,139)	**(170,999)**	(144,572)
Loss for the period before income taxes		**(241,203)**	(529,979)	**(916,136)**	(1,131,854)
Deferred income tax recovery		**-**	-	**-**	32,500
Loss for the period		**(241,203)**	(529,979)	**(916,136)**	(1,099,354)
Other comprehensive (loss) income for the period					
Unrealized (loss) gain on marketable securities	**4**	**-**	(9,120)	**(38,303)**	39,880
Realized (gain) loss on marketable securities	**4**	**-**	(13,324)	**153,326**	(13,324)
Comprehensive loss for the period		**(241,203)**	(552,423)	**(801,113)**	(1,072,798)
Basic and diluted loss per share		**(0.01)**	(0.01)	**(0.02)**	(0.03)
Weighted average number of common shares outstanding		**47,206,664**	46,360,649	**47,063,275**	36,064,816

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended May 31, 2012 and 2011
(Unaudited – expressed in Canadian dollars)

	2012 **$**	2011 $
Cash (used in) provided by		
OPERATING ACTIVITIES		
Net loss for the period	**(916,136)**	(1,099,354)
Items not affecting cash:		
Amortization	**39,294**	32,465
Deferred income tax recovery	**-**	(32,500)
Gain on option agreement	**-**	(355,000)
Loss (gain) on sale of marketable securities	**153,326**	(13,324)
Share-based payments	**27,912**	877,510
	(695,604)	(590,203)
Changes in non-cash working capital items:		
HST recoverable	**(279,065)**	160,829
Other assets	**27,163**	(20,074)
Accounts payable and accrued liabilities	**(30,997)**	(3,842)
	(978,503)	(453,290)
INVESTING ACTIVITIES		
Mineral property costs, net	**(3,388,909)**	(2,819,640)
Other receivables	**588,561**	326,960
Proceeds from sale of marketable securities	**367,197**	79,880
Purchase of equipment	**(2,029)**	(90,133)
Staking costs, net of recoveries	**136,369**	(65,891)
	(2,298,811)	(2,568,824)
FINANCING ACTIVITIES		
Issuance of common shares	**30,000**	10,360,670
	30,000	10,360,670
(Decrease) increase in cash and cash equivalents during the period	**(3,247,314)**	7,338,556
Cash and cash equivalents, beginning of the period	**3,547,916**	1,518,387
Cash and cash equivalents, end of the period	**300,602**	8,856,943
Cash and cash equivalents are comprised of:		
Cash	**298,013**	654,354
Cash equivalents	**2,589**	8,202,589
Cash paid for interest	**-**	-
Cash paid for income taxes	**-**	-

Non-cash Transactions (Note 13)

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six months ended May 31, 2012 and 2011
(Unaudited – expressed in Canadian dollars)

	Issued Share Capital						
	Number of Shares	Amount $	Warrants $	Contributed Surplus $	AOCI $	Deficit $	Total Shareholders' Equity $
Balance, December 1, 2010	23,620,885	6,037,597	97,097	673,608	20,500	(2,485,888)	4,342,914
For cash pursuant to private placements of units	18,722,220	8,331,388	93,611	-	-	-	8,424,999
Less: Issue costs – cash	-	(96,163)	-	-	-	-	(96,163)
Pursuant to mineral property agreements (Note 7)	280,000	193,500	-	-	-	-	193,500
Pursuant to warrant exercises	4,063,667	2,031,834	-	-	-	-	2,031,834
Transfer on exercise of warrants	-	20,318	(20,318)	-	-	-	-
Transfer on expiry of warrants	-	-	(4,182)	4,182	-	-	-
Share-based payments	-	-	-	877,510	-	-	877,510
Comprehensive loss for the period	-	-	-	-	26,556	(1,099,354)	(1,072,798)
Balance, May 31, 2011	46,686,772	16,518,474	166,208	1,555,300	47,056	(3,585,242)	14,701,796
Balance, November 30, 2011	46,686,772	16,539,085	166,208	1,659,276	(115,023)	(4,186,446)	14,063,100
Pursuant to mineral property agreements (Note 7)	350,000	82,000	-	-	-	-	82,000
Pursuant to option exercises	200,000	30,000	-	-	-	-	30,000
Transfer on exercise of options	-	18,200	-	(18,200)	-	-	-
Transfer on expiry of warrants	-	-	(12,100)	12,100	-	-	-
Share-based payments	-	-	-	27,912	-	-	27,912
Comprehensive loss for the period	-	-	-	-	115,023	(916,136)	(801,113)
Balance, May 31, 2012	**47,236,772**	**16,669,285**	**154,108**	**1,681,088**	**-**	**(5,102,582)**	**13,401,899**

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

1. Nature of Operations and Going Concern

Search Minerals Inc. (the "Company") was incorporated under the provisions of the Business Corporation Act (British Columbia) on June 7, 2006. On May 3, 2007, the Company commenced trading on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SMY". The Company is in two lines of business being mineral exploration and the research and development of the starved acid leaching technology. The mineral exploration business involves acquiring, exploring and evaluating mineral resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is complete. At May 31, 2012, the Company was in the exploration stage and had properties located in Canada. The Company's corporate head office is located at 1320 – 885 West Georgia Street, Vancouver, British Columbia, Canada.

The Company is currently exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The amounts shown as mineral properties represent costs incurred to date, less amounts recovered from third parties and/or written-down, and do not necessarily represent current or future fair values.

These condensed interim consolidated financial statements have been on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At May 31, 2012, the Company had not yet achieved profitable operations, had an accumulated deficit of $5,102,582 since inception and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, its ability to obtain the necessary financing to develop the properties and to meet its ongoing levels of corporate overhead and commitments, keep its property in good standing and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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

Statement of compliance and conversion to International Financial Reporting Standards

These condensed interim consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 and IFRS 1. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's condensed interim consolidated financial statements for the three months ended February 29, 2012. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 14 discloses the impact of the transition to IFRS on the Company's reported statements of financial position, loss and comprehensive loss, changes in equity and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended November 30, 2011. Comparative figures for fiscal 2011 in these financial statements have been restated to give effect to these changes.

Previously, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of July 26, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending November 30, 2012 could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended November 30, 2011 and the Company's interim financial statements for the quarter ended February 29, 2012 prepared in accordance with IFRS applicable to interim financial statements.

Basis of presentation

The Company's condensed interim consolidated financial statements have been prepared on the historical cost basis. The comparative figures presented in these condensed interim consolidated financial statements are in accordance with IFRS and any changes from figures previously reported under Canadian GAAP have been disclosed in Note 14.

3. Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements:
(i) The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year. The factors considered by management are disclosed in Note 1.
(ii) The assessment of indicators of impairment for the mineral property.

4. Marketable Securities

The Company has received common shares of Great Western Minerals Group Ltd. ("GWG") and Quest Rate Minerals Ltd. ("Quest") pursuant to mineral property option agreements (Note 7). The shares have been classified as available-for-sale financial instruments and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income.

During the six months ended May 31, 2012, the Company sold 645,000 common shares of GWG for proceeds of $336,531 and 10,000 common shares of Quest for proceeds of $30,666 and accordingly, the Company recognized losses on sale of marketable securities of $153,326.

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

(Unaudited – expressed in Canadian dollars)

5. Equipment

	Vehicles $	Buildings $	Office furniture and equipment $	Field equipment $	Total $
At December 1, 2010					
Cost	13,771	10,000	8,678	130,572	163,021
Accumulated amortization	(9,756)	(500)	(4,083)	(32,468)	(46,807)
Net book value	4,015	9,500	4,595	98,104	116,214
Year ended November 30, 2011					
At December 1, 2010	4,015	9,500	4,595	98,104	116,214
Additions	120,957	-	24,245	75,073	220,275
Disposals	(38,252)	-	-	-	(38,252)
Amortization	(14,295)	(1,900)	(11,263)	(59,988)	(87,446)
At November 30, 2011	72,425	7,600	17,577	113,189	210,791
At November 30, 2011					
Cost	93,375	10,000	32,923	205,645	341,943
Accumulated amortization	(20,950)	(2,400)	(15,346)	(92,456)	(131,152)
Net book value	72,425	7,600	17,577	113,189	210,791
Six months ended May 31, 2012					
At November 30, 2011	72,425	7,600	17,577	113,189	210,791
Additions	-	-	2,029	-	2,029
Amortization	(10,864)	(760)	(5,032)	(22,638)	(39,294)
At May 31, 2012	61,561	6,840	14,574	90,551	173,526
At May 31, 2012					
Cost	93,375	10,000	34,952	205,645	343,972
Accumulated amortization	(31,814)	(3,160)	(20,378)	(115,094)	(170,446)
Net book value	61,561	6,840	14,574	90,551	173,526

6. Staking Deposits

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

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

	Total $
Balance, December 1, 2010	306,659
Additions	112,702
Recoveries	(124,786)
Write-down of staking deposits	(6,225)
Balance, November 30, 2011	288,350
Additions	23,630
Recoveries	(159,999)
Balance, May 31, 2012	151,981

7. 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 6). Other commitments relating to mineral properties are as follows:

Port Hope Simpson REE District, Labrador

B and A Claims

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

Under the terms of the Mining Option Agreement, to earn the undivided 100% interest in Port Hope Simpson, B and A Claims, the Company must pay B and A an aggregate of $140,000. At May 31, 2012, the Company had paid an aggregate of $90,000 (November 30, 2011: $50,000). The Company must pay an additional $50,000 on or before January 14, 2013.

The Company must also issue an aggregate 1,100,000 common shares of the Company. The Company issued 200,000 common shares on March 29, 2010 at the fair value of $80,000, 250,000 common shares on January 14, 2011 at the fair value of $180,000 and 300,000 common shares on January 16, 2012 at the fair value of $69,000. The Company must issue an additional 350,000 shares on or before January 14, 2013.

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

Fox Harbour Property

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

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

- pay $10,000 (paid) and issue 30,000 common shares on or before February 25, 2011 (issued at the fair value of $13,500);
- pay $15,000 (paid) and issue 50,000 common shares on or before February 25, 2012 (issued at the fair value of $13,000);
- pay $20,000 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.

Red Wine Property, Labrador

On March 16, 2010, the Company entered into an option agreement (the "Letter Agreement") with Great Western Minerals Group Ltd. ("GWG") whereby GWG could acquire up to a 50% working interest in the Company's Red Wine Property, located approximately 100km north-east of Churchill Falls, Labrador. Under the terms of the Letter Agreement, GWG paid an aggregate of $225,000, issued an aggregate of 1,050,000 GWG common shares (aggregate fair value of $694,000) and funded exploration programs of an aggregate of $1,500,000 of exploration expenditures. On June 28, 2011, the Company announced that GWG had earned a 50% interest in the Red Wine Property. GWG and the Company have a joint venture, with the Company currently acting as the operator.

GWG pays the Company a 5% to 10% operator fee, payable in cash. During the six months ended May 31, 2012, the Company recorded $4,085 of operator fee income (2011: $10,941).

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 May 31, 2012, other receivable of $164,711 was comprised of mineral exploration expenditures incurred by the Company on behalf of GWG (November 30, 2011: $753,272).

Strange Lake Property, Labrador

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

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

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

- 10,000 common shares of Quest on June 22, 2010, 2010 (received at the fair value of $21,400);
- 15,000 common shares of Quest on or before June 22, 2011 (received at the fair value of $88,800);
- 25,000 common shares of Quest on or before June 22, 2012 (received subsequent to May 31, 2012); and,
- 40,000 common shares of Quest on or before June 22, 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 22, 2011 (incurred);
- $150,000 on or before June 22, 2012 (incurred); and,
- $250,000 on or before June 22, 2013 (incurred).

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, paying $75,000 in cash to the Company and issuing 150,000 common shares of Quest on or before June 15, 2015.

(Unaudited – expressed in Canadian dollars)

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

Quest will be the operator for the property and the Company will pay Quest an amount equal to 10% of the expenditures incurred by Quest for each year of the Option. During the six months ended May 31, 2012, the Company incurred management fees of $57,448 (2011: $nil).

8. Accounts Payable and Accrued Liabilities

	May 31, 2012 $	November 30, 2011 $
Trade payables	**593,521**	1,944,906
Due to related parties (Note 11)	**83,015**	140,684
Total accounts payable and accrued liabilities	**676,536**	2,085,590

9. Share Capital

a. Common shares authorized

Unlimited number of common shares

47,236,772 outstanding at May 31, 2012 (November 30, 2011: 46,686,772)

b. Financings

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

During the year ended November 30, 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.

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

iii) On March 7, 2011, the Company completed the third tranche of a non-brokered private placement of 3,888,886 units at a price of $0.45 per unit for gross proceeds of $1,749,999. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at $0.70 per common share up to March 7, 2012, $0.80 per common share up to March 7, 2013 and $0.90 per common share up to March 7, 2014. A value of $19,444 has been attributed to the warrants using the residual method.

(Unaudited – expressed in Canadian dollars)

The Company incurred $75,552 of legal fees and other fees in connection with the January 6, 2011, February 25, 2011 and March 7, 2011 private placements.

c. Stock option plan

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

Changes in share purchase options during the six months ended May 31, 2012 and the year ended November 30, 2011 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, December 1, 2010	2,250,000	$0.37	4.16
Granted	2,435,000	$0.53	
Forfeited	(110,000)	$0.46	
Outstanding, November 30, 2011	4,575,000	$0.45	3.76
Granted	155,000	$0.26	
Exercised	(200,000)	$0.15	
Forfeited	(168,000)	$0.48	
Outstanding and exercisable, May 31, 2012	4,362,000	$0.46	3.39

During the six months ended May 31, 2012, the weighted average stock price on the date of option exercise was $0.32.

At May 31, 2012, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
[1]350,000	$0.10	July 3, 2014
759,500	$0.40	February 16, 2015
515,000	$0.47	June 22, 2015
287,500	$0.55	November 8, 2015
875,000	$0.60	February 25, 2016
1,120,000	$0.485	March 31, 2016
300,000	$0.48	April 7, 2016
155,000	$0.26	January 19, 2017
4,362,000		

[1] Subsequent to May 31, 2012, these options were exercised for gross proceeds of $35,000.

(Unaudited – expressed in Canadian dollars)

During the six months ended May 31, 2012, the Company recorded share-based payment expense of $27,912 (2011: $877,510). The weighted average fair value of share purchase options granted during the six months ended May 31, 2012 of $0.18 (2011: $0.37) per option was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012	2011
Risk-free interest rate	1.85%	1.98%
Expected life	4.0 years	4.0 years
Expected volatility	107%	113-116%
Expected dividends	Nil	Nil

Expected volatility was determined by reference to the historical volatility since the Company began trading on the TSX-V.

d. Warrants

Changes in share purchase warrants during the six months ended May 31, 2012 and the year ended November 30, 2011 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, December 1, 2010	9,464,000	$0.63	0.94
Issued	18,722,220	$0.70	
Exercised	(4,063,667)	$0.50	
Expired	(836,333)	$0.50	
Balance, November 30, 2011	23,286,220	$0.73	1.94
Expired	(2,420,000)	$0.75	
Balance, May 31, 2012	20,866,220	$0.82	1.60

At May 31, 2012, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
2,144,000	$1.00	November 1, 2012
(1)1,222,222	$0.80	January 6, 2013
	$0.90	January 6, 2014
(1)13,611,112	$0.80	February 25, 2013
	$0.90	February 25, 2014
(1)3,888,886	$0.80	March 7, 2013
	$0.90	March 7, 2014
20,866,220		

(1) These warrants have an exercise price of $0.70 per share for the first year, $0.80 for the second year and $0.90 for the third year.

10. Technology Research

On September 22, 2009, the Company entered into a letter of intent (the "Technology LOI") with Jim Clucas and Dr. David Dreisinger (the "Vendors"), directors of the Company, to acquire certain conceptual technologies (the "Technologies") relating to improving metal recoveries from existing processing and production facilities.

The Technologies include the following processes:
- Air Sparged Hydrocyclone
- Low Grade Nickel Sulfide Leaching
- Low Grade Saprolite Leaching
- Nickel and Cobalt Recovery from Caron Plant Tailings

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

The Company has granted Votorantim the exclusive and irrevocable right and option, exercisable for up to three years, to acquire a 50% undivided interest in a patent, if and when it is granted by Brazil's National Institute of Intellectual Property ("INPI"). The Company filed a patent application with INPI in early 2011. On exercise of the option, Votorantim would be entitled to an undivided 50% interest in the patent, which will entitle Votorantim to use and exploit the patent within Brazil in accordance with the terms of the agreement.

In order to maintain the option in good standing during the option period, Votorantim must fund the test work to be carried out at the Centro de Tecnologia Mineral ("CETEM") pilot plant and prepare a final report assessing the results of the test work. The Company will be paid an annual advance royalty of US$500,000 during the period from a construction decision until commercial production of mineral products within Brazil. The advanced royalty payments are deductible against an annual 0.75% net smelter return.

If Votorantim exercises the option and acquires a 50% interest in the SALT patent, Votorantim will be entitled to a one year exclusivity period during which neither party may further license the use of the SALT process to third parties within Brazil. Subsequent to such exclusivity period, both Votorantim and the Company will be entitled to further license the SALT process within Brazil, in which event, income generated from such licensing shall be shared on a 50/50 basis. If either party options or acquires a project within Brazil in respect of which the SALT process will be used, the other party will be entitled to elect to participate and fund its share of such project. In the event the other party elects not to participate, such party will be entitled to a 0.25% net smelter royalty.

Votorantim's rights in respect of the SALT process are exclusively within Brazil and will not impair Search's rights to exploit the technology for its sole benefit in other jurisdictions.

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

During the six months ended May 31, 2012, the Company incurred technology research expense of $170,999 (2011: $144,572).

(Unaudited – expressed in Canadian dollars)

11. Related Party Transactions

During the three and six months ended May 31, 2012 and 2011, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders of:

	Three months ended May 31,		Six months ended May 31,	
	2012	2012	**2012**	2011
	$	$	**$**	$
Administration and management fees	**50,000**	58,333	**100,000**	95,833
Consulting fees	**19,500**	2,000	**41,000**	2,000
Non-executive directors fees	**9,000**	10,500	**18,000**	24,000
Technology research	**22,500**	22,500	**122,010**	45,000
Mineral property expenditures				
Geological consulting	**50,000**	66,667	**122,917**	96,667
	151,000	160,000	**403,927**	263,500

At May 31, 2012, accounts payable and accrued liabilities included $83,015 (November 30, 2011: $140,684) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

Key management includes the Chief Executive Officer and the directors of the Company. The compensation paid or payable to key management for services during the three and six months ended May 31, 2012 and 2011 is identical to the table above.

12. 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 and other receivable as loans and receivables, which are measured at amortized cost. The marketable securities are designated as available-for-sale financial assets, which are measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

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

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Level 2 valuation is based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

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

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

Credit Risk

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

Commodity Price Risk

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

Liquidity Risk

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

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, 2012 and November 30, 2011, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

b) *Interest Rate Risk*

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

c) *Price Risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company has no financial instruments subject to price risk.

13. 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 six months ended May 31, 2012 the following transactions were excluded from the statement of cash flows:

a) deferred exploration expenditures of $573,409 included in accounts payable and accrued liabilities at May 31, 2012, less expenditures included in accounts payable at November 30, 2011 of $1,951,466 (net inclusion of $1,378,057);

b) the issuance by the Company of 350,000 shares at the fair value of $82,000 pursuant to a mineral property option agreement;

c) the transfer of $18,200, the value of options exercised during the period, from contributed surplus to share capital; and,

d) the transfer of $12,100, the value of warrants expired during the period, from warrants to contributed surplus.

During the six months ended May 31, 2011 the following transaction was excluded from the statement of cash flows:

a) deferred exploration expenditures of $417,296 included in accounts payable and accrued liabilities at May 31, 2011, less expenditures included in accounts payable at November 30, 2010 of $1,481,799 (net inclusion of $1,064,503);

b) the receipt of marketable securities at the fair value of $280,000 pursuant to mineral property agreements;

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

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

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

14. First-time Adoption of IFRS

The Company adopted IFRS on December 1, 2011 with the transition date of December 1, 2010 (the “Transition Date”). Under IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’, the IFRS are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied. The Company has chosen to apply the following elections to:

a) Not apply IFRS 2, ‘Share-based Payments’, to liabilities arising from share-based payment transactions that were settled before the Transition Date or to equity instruments fully vested before the Transition Date.

(Unaudited – expressed in Canadian dollars)

Reconciliation of the Statement of Financial Position at May 31, 2011

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
ASSETS				
Current				
Cash and cash equivalents		8,856,943	-	8,856,943
HST recoverable		153,567	-	153,567
Other receivable		100,377	-	100,377
Marketable securities		280,000	-	280,000
Other assets		53,628	-	53,628
		9,444,515	-	9,444,515
Equipment		173,882	-	173,882
Staking deposits		372,550	-	372,550
Mineral properties and deferred exploration		5,263,850	-	5,263,850
		15,254,797	-	15,254,797
LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Current				
Accounts payable and accrued liabilities		553,001	-	553,001
Equity attributable to shareholders				
Share capital	**(i)**	16,460,574	57,900	16,518,474
Warrants		166,208	-	166,208
Contributed surplus		1,555,300	-	1,555,300
Accumulated other comprehensive income		47,056	-	47,056
Deficit	**(i)**	(3,527,342)	(57,900)	(3,585,242)
		14,701,796	-	14,701,796
		15,254,797	-	15,254,797

(Unaudited – expressed in Canadian dollars)

Reconciliation of the Statement of Comprehensive Loss for the Three Months Ended May 31, 2011

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit		16,525	-	16,525
Administration and management fees		71,968	-	71,968
Amortization		20,667	-	20,667
Consulting fees		47,579	-	47,579
Legal fees		27,972	-	27,972
Non-executive directors fees		10,500	-	10,500
Office and miscellaneous		59,022	-	59,022
Regulatory and transfer agent fees		12,992	-	12,992
Rent		8,100	-	8,100
Share-based payments		516,717	-	516,717
Travel and accommodation		48,211	-	48,211
Loss for the period before other items		(840,253)	-	(840,253)
Other income (expense) items				
Gain on option agreement		355,000	-	355,000
Gain on sale of marketable securities		13,324	-	13,324
Interest income		19,706	-	19,706
Operator fee income		9,383	-	9,383
Technology research		(87,139)	-	(87,139)
Loss for the period		(529,979)	-	(529,979)
Other comprehensive loss for the period				
Unrealized loss on marketable securities		(9,120)	-	(9,120)
Realized gain on marketable securities		(13,324)	-	(13,324)
Comprehensive loss for the period		(552,423)	-	(552,423)

(Unaudited – expressed in Canadian dollars)

Reconciliation of the Statement of Comprehensive Loss for the Six Months Ended May 31, 2011

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit		37,068	-	37,068
Administration and management fees		113,313	-	113,313
Amortization		32,465	-	32,465
Consulting fees		65,682	-	65,682
Legal fees		40,934	-	40,934
Non-executive directors fees		24,000	-	24,000
Office and miscellaneous		97,394	-	97,394
Regulatory and transfer agent fees		25,492	-	25,492
Rent		16,200	-	16,200
Share-based payments		877,510	-	877,510
Travel and accommodation		57,563	-	57,563
Loss for the period before other items		(1,387,621)	-	(1,387,621)
Other income (expense) items				
Gain on option agreements		355,000	-	355,000
Gain on sale of marketable securities		13,324	-	13,324
Interest income		21,074	-	21,074
Operator fee income		10,941	-	10,941
Technology research		(144,572)	-	(144,572)
Loss for the period before income taxes		(1,131,854)	-	(1,131,854)
Deferred income tax recovery	**(i)**	312,500	(280,000)	32,500
Loss for the period		(819,354)	(280,000)	(1,099,354)
Other comprehensive (loss) income for the period				
Unrealized gain on marketable securities		39,880	-	39,880
Realized gain on marketable securities		(13,324)	-	(13,324)
Comprehensive loss for the period		(792,798)	(280,000)	(1,072,798)

Notes to reconciliations

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company.

i) Flow-through shares

Under Canadian GAAP, the entire net proceeds from the issuance of flow-through shares were recognized in equity. Upon renunciation of the tax benefits associated with the related expenditures, a deferred tax liability was recognized and shareholders' equity reduced.

Under IFRS, proceeds from the issuance of flow-through shares are segregated as follows: the estimated premium investors pay for the flow-through feature, if any, is recorded as a flow-through tax liability; and, the remaining net proceeds are recorded as share capital. Upon renunciation of the tax benefits associated with the related expenditures and as qualifying expenditures are incurred, a deferred tax liability is recognized and the flow-through tax liability is reversed with any difference being recorded as a deferred tax recovery (expense). To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

At the Transition Date, accounts payable and accrued liabilities increased by $32,500, share capital decreased by $254,600 and deficit (deferred tax recovery in prior years) decreased by $222,100. At May 31, 2011, share capital and deficit increased by $57,900.

Statement of Cash Flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents.

Search Minerals Inc.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the six months ended May 31, 2012

	Port Hope Simpson REE District, Labrador $	Red Wine, Labrador $	Katie, Newfoundland $	Other, Newfoundland and Labrador $	Total $
Balance, November 30, 2011	8,719,245	1,056,444	233,353	380,560	10,389,602
Acquisition costs					
Cash	55,000	-	-	-	55,000
Shares	82,000	-	-	-	82,000
Staking	1,350	-	-	-	1,350
	138,350	-	-	-	138,350
Deferred exploration costs					
Assays	508,772	26,307	2,657	22,031	559,767
Camp	122,641	3,171	90	423	126,325
Drilling	385,585	-	-	-	385,585
Engineering and metallurgy	369,031	-	-	-	369,031
Geological consulting (Note 11)	140,529	-	3,325	7,481	151,335
Geotechnical surveys	23,092	1,543	-	975	25,610
Geotechnical reports	64,677	9,353	2,904	4,627	81,561
Government assistance	(150,000)	-	-	-	(150,000)
Operator fees	-	-	-	57,448	57,448
Other	238,720	9,670	1,004	1,210	250,604
Prospecting	8,462	122	-	-	8,584
Salaries, wages and benefits	141,859	4,613	-	-	146,472
Travel and accommodation	37,937	2,084	1,687	472	42,180
	1,891,305	56,863	11,667	94,667	2,054,502
Advances	(100,000)	-	-	-	(100,000)
Balance, May 31, 2012	**10,648,900**	**1,113,307**	**245,020**	**475,227**	**12,482,454**

Search Minerals Inc.
(An Exploration Stage Company)
CONDENSED INTERM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the year ended November 30, 2011

	Port Hope Simpson REE District, Labrador	**Red Wine, Labrador**	**Katie, Newfoundland**	**Other, Newfoundland and Labrador**	**Total**
	$	**$**	**$**	**$**	**$**
Balance, December 1, 2010	2,909,884	-	199,531	130,798	3,240,213
Acquisition costs					
Cash	40,000	-	-	-	40,000
Shares	193,500	-	-	-	193,500
Staking	2,510	-	-	-	2,510
	236,010	-	-	-	236,010
Deferred exploration costs					
Assays	1,352,594	181,985	6,021	122,942	1,663,542
Camp	428,854	188,163	336	14,456	631,809
Drilling	1,252,402	268,364	-	6,202	1,526,968
Geological consulting (Note 11)	249,160	209	2,784	5,600	257,753
Geotechnical surveys	88,357	4,423	163	1,124	94,067
Geotechnical reports	67,569	5,852	2,150	14,450	90,021
Helicopters	502,368	328,099	5,547	10,689	846,703
Other	634,844	115,253	6,597	31,790	788,484
Prospecting	188,044	5,734	3,050	9,696	206,524
Salaries, wages and benefits	453,600	36,765	3,571	7,339	501,275
Travel and accommodation	255,559	21,597	3,603	25,474	306,233
	5,473,351	1,156,444	33,822	249,762	6,913,379
Option agreements					
Option payments received – cash	-	(175,000)	-	-	(175,000)
Option payments received – shares	-	(655,000)	-	(88,800)	(743,800)
	-	(830,000)	-	(88,800)	(918,800)
Option proceeds recognized in the statement of operations	-	730,000	-	88,800	818,800
Advances	100,000	-	-	-	100,000
	100,000	730,000	-	88,800	918,800
Balance, November 30, 2011	**8,719,245**	**1,056,444**	**233,353**	**380,560**	**10,389,602**