



Management's Discussion and Analysis
for the Three and Six Months Ended May 31, 2012

The following information, prepared as of July 26, 2012, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Search Minerals Inc. (the "Company" or "Search") for the three and six months ended May 31, 2012, together with the audited consolidated financial statements of the Company for the year ended November 30, 2011 and the accompanying Management's Discussion and Analysis (the "Annual MD&A") for that fiscal year as well as the unaudited condensed interim consolidated financial statements of the Company for the three months ended February 29, 2012 and the accompanying MD&A for that fiscal period. The referenced unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Figures from periods prior to and including November 30, 2010 are in accordance with Canadian generally accepted accounting principles prior to convergence with IFRS ("Canadian GAAP"). 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 July 26, 2012.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, possible variations in mineral resources, labour disputes, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; failure of equipment or

processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.

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

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

GENERAL

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

The Company is in two lines of business being mineral exploration and the research and development of the starved acid leaching technology ("SALT"). The SALT testing continues at a pilot plant located outside Rio de Janeiro, Brazil and at the University of British Columbia. 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.

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

OVERALL PERFORMANCE

On February 14, 2012, the Company filed a National Instrument 43-101 Technical Report on the Foxtrot Project in the Port Hope Simpson REE District. This report outlined a 43-101 compliant resource that consisted of 3.41 Mt of indicated at a grade of 0.89% total Rare Earth Elements and 5.85 Mt of inferred at a grade of 0.80% total Rare Earth Elements. On February 29, 2012, the Company announced that it has commissioned Roscoe Postle & Associates to proceed with their recommendation to complete a Preliminary Economic Assessment. Refer to the mineral properties section for further details.

On April 27, 2012, the Company announced results from the Phase III drilling at the Foxtrot Project in the Port Hope Simpson REE District. Assay results from all diamond drill holes were received and are currently being integrated into an updated resource estimate.

On May 1, 2012, Roscoe Postle & Associates completed the Preliminary Economic Assessment ("PEA") on the Foxtrot Project. Operational highlights include a mine life of 10 years and proposed production of 14.3 Mt at a grade of 0.58% total Rare Earth Elements. Financial highlights include a \$408 million pre-tax Net Present Value (at a 10% discount rate), a 29% pre-tax Internal Rate of Return, \$1.1 billion pre-tax undiscounted cash flows and total net revenue of \$3.0 billion. Additional details are disclosed in the news release dated May 1, 2012.

On May 9, 2012, the Company announced the completion of metallurgical tests on a bulk sample from the Foxtrot Project to produce a high grade REE product for refining. Mineralogy studies have shown

that the REE minerals in Foxtrot are Allanite, Fergusonite, Chevkinite, with minor Bastnasite/Synchysite and Monazite. Details are disclosed in the news release dated May 9, 2012.

On May 23, 2012, the Company announced that the Company and PT ANTAM (Persero) Tbk ("ANTAM") have signed a Heads of Agreement ("HOA") 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 located within Indonesia. Refer to the technology research section for further details. To date, Search has received approximately 160 kilograms of nickel bearing saprolite from ANTAM which is currently being tested at the University of British Columbia.

OUTLOOK

Search Minerals Inc. operates all of its exploration through its 100% owned subsidiary, Alterra Resources Inc. Search is continuing with the business plan strategy to explore its current portfolio of properties and with success, look for strategic partners to advance properties. Search has completed two joint ventures agreements to date and will continue to realize on the opportunities to further develop the properties.

Search will continue to evaluate the properties for future development and attract potential joint venture partners, if desired.

The Company completed a 2011 summer (Phase II) and a 2011/2012 fall/winter (Phase III) exploration drill program at the Foxtrot Project, in the Port Hope Simpson REE District located in southeast Labrador. The Company retained Roscoe Postle & Associates ("RPA") to complete a NI 43-101 Technical Report, with resource estimate, and a Preliminary Economic Assessment ("PEA"). The NI 43-101 Technical Report was filed on February 14, 2012 and the results of the PEA were disclosed in the news release dated May 1, 2012.

The Company's primary focus at this time is the exploration of the Port Hope Simpson Rare Earth Element ("REE") District and the Henley Harbour Property both located in Labrador. Search is planning to continue development drilling on the Foxtrot Project, and has additional plans to test the priority targets of Pesky Hill, Foxy Lady and Fox Pond, subject to available financing.

Search is developing the proprietary process called Starved Acid Leach Technology ("SALT"). During Q3 2011, the Company and Votorantim completed a pilot plant in Brazil. An agreement is in place granting Votorantim the exclusive and irrevocable right and option to acquire a 50% undivided interest in a patent if and when it is granted in Brazil. Votorantim's rights in respect of the SALT process are exclusively within Brazil. In May 2012, the Company entered into a HOA with ANTAM to develop a SALT plant in Indonesia.

The Company is currently seeking additional partners in other jurisdictions where Search has a 100% interest in the SALT technology. The near term target is to acquire, for its own account, a large deposit of saprolite nickel that would be amenable to the SALT process.

On July 2012, the Company's board of directors engaged Byron Capital Markets Ltd. to assist in examining the strategic and corporate developments of the Company.

MINERAL PROPERTIES

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

The company currently holds a number of Newfoundland and Labrador properties acquired through the Alterra acquisition, the B and A Minerals option, the Quinlan option and subsequent staking in Labrador. Four properties have recently been the focus of exploration or planning activities: the Strange Lake property, the Red Wine property, the Port Hope Simpson REE District and the Henley Harbour property. The B and A Mineral option in Labrador, now a part of the Port Hope Simpson REE District, and subsequent staking has also been the subject of a National Instrument 43-101 compliant report dated June 30, 2010. On February 14, 2012, a National Instrument 43-101 compliant report was filed on the Foxtrot Prospect, Port Hope Simpson REE District. On May 1, 2012, the Company announced positive results of the Preliminary Economic Assessment on the Foxtrot Project.

Strange Lake Property, Labrador

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

On June 22, 2010, the Company entered into an option agreement with Quest pursuant to which the Company has granted Quest an option (the “Option”) to acquire up to a 65% undivided working interest in the Company’s Strange Lake Property.

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. The Company has received 50,000 common shares of Quest. In addition, Quest must incur mineral exploration expenditures of \$500,000 in aggregate over a period of three years. At May 31, 2012, Quest had incurred the \$500,000 in expenditures.

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.

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

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

The Strange Lake property consists of license 019113M that covers a total of 30 claims (7.5 sq. km) in western Labrador, about 120 km west of the coastal community of Nain. This license covers a portion of the Strange Lake Peralkaline Granite, the host of the REE mineralization in the B-Zone (Quest Rare

Minerals) and Main Zone (discovered by Iron Ore Company in 1979), just northwest of the Quebec-Labrador border. License 013305M is part of the Option agreement with Quest and is currently registered to Quest Rare Minerals Inc.

Quest issued a news release on April 21, 2011 announcing that it recently completed a small, four hole, 310.3m drilling program on the Strange Lake property. The program tested surface REE mineralized occurrences identified by Quest during its summer 2010 exploration activities. Mineralized granitic pegmatite and aplite was intersected in all holes on the property. All holes were sampled and submitted to the lab for analysis. On June 8, 2011, Quest issued a news release containing a summary of the final results from the drilling program. Quest plans on extending the drill program to the northeast and towards the southeast to identify additional high-grade deposits. On June 22, 2011, Search issued a news release containing detailed analyses for REE, Nb, Y and Zr from high grade zones discovered during the Strange Lake property drill program. These results gave 0.86% to 3.60% total REE (TREE) + Y, 375 to 3,276 ppm Dy, 52 to 442 ppm Tb, 2268 to 17,922 ppm Y and 2,185 to 5,698 ppm Nb. This is the second year of the Search-Quest Option and a minimum of \$150,000 will be spent by Quest on the Option by June 22, 2012. Quest has acknowledged that they plan on continuing to fund the exploration program on the Strange Lake Property.

Exploration activity in 2009 by the Company comprised preliminary prospecting, boulder tracing and outcrop/float sampling. Eight grab samples were collected and analyzed 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, 1,934 ppm, 2,167 ppm and 3,317 ppm Dy) and very high rare metal values (e.g., 6,708 ppm, 8,521 ppm and 2,320 ppm Nb; 10,365 ppm, 12,521 ppm and 21,000 ppm Y).

Red Wine Property, Labrador

On March 16, 2010, the Company entered into an option agreement (the "Letter Agreement") with Great Western Minerals Group Ltd. ("GWG") whereby GWG could acquire up to a 50% working interest in the Company's Red Wine property, located approximately 100km north-east of Churchill Falls, Labrador.

Under the terms of the Letter Agreement, GWG paid an aggregate of \$225,000 and GWG issued an aggregate of 1,050,000 common shares to Search. GWG also funded exploration programs of an aggregate of \$1,500,000 of exploration expenditures. The Company was the operator of the exploration activities and GWG paid the Company a 10% management fee, payable in cash.

During the summer of 2011, GWG completed its cash payments, share issuances, and exploration commitments to earn a 50% working interest in the Red Wine Property. The Company and GWG now have a 50-50 joint venture with Search presently acting as the operator.

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

The property consists of 9 map staked licenses (013144M, 013306M, 016594M, 016596M, 016599M, 016601M, 016602M, 016628M, and 016676M) that encompass 301 claims (75 sq km.).

The property is underlain by Proterozoic saturated and undersaturated volcanic (Leticia 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% (visually estimated) of the Zr-Y-REE-bearing mineral eudialyte. These rocks were the initial target of the exploration program.

Work on the property in 2009 consisted of reconnaissance prospecting, sampling and assay work. Twenty three 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 six samples. The highest Zr value for these samples is 33,801 ppm (3.38%).

The 2010 field program consisted of prospecting, channel sampling, mapping and diamond drilling. Mapping and prospecting identified six eudialyte showings on the property: Pinot Rose', Cabernet, Malbec, Zinfandel, Shiraz and Merlot. The Pinot Rose', Cabernet and Malbec showings have been channel sampled. A total of five holes, 896m, at the Pinot Rose' Showing and five holes, totaling 1002.4m at the Cabernet Showing were completed this fall.

The 1,898 m (10 hole) drill program confirmed that the previously reported surface eudialyte-bearing REE-Zr-Y mineralization continues to depth in the Pinot Rose' and Cabernet showings (see March 5, 2011, News Release). Analytical results for core samples indicate 550 ppm Dy, 3,451 ppm Y and 1.25% total REE (TREE; 1.59% Y+TREE) over 4 metres at the Cabernet showing. Metallurgical samples have been collected from three channels on the property.

The focus of the 2011 exploration program was an additional 3,663m of drilling at the Cabernet Showing and continued prospecting, mapping and channel sampling throughout the property. The channel program at the Merlot Showing discovered mineralization that gave values ranging up to 1.20% TREE (1.72% TREE+Y), 5,207ppm Y, 2,340ppm Nd and 800ppm Dy (see January 16, 2012 news release). One channel contained 13.07m of mineralization which gave a weighted average of 1.03% TREE (1.34% TREE+Y), 3,116ppm Y, 2,074ppm Nd and 504ppm Dy. The mineralization of the Merlot Showing is the best target for the next exploration program in the area.

Port Hope Simpson REE District, Labrador

The Port Hope Simpson REE district forms a belt that stretches north-westerly from Fox Harbour (St. Lewis) on the SE Labrador coast, inland for 130 km and ranges in width from 4 to 10 km. The Company controls 75 licenses in this area, which consist of 11 licenses acquired pursuant to an agreement with B and A Minerals Limited (see Dec. 3, 2009 News Release), 47 additional map staked licenses, staked previous to the 2010 field season, and 17 recently staked licenses for a total of 4,326 claims, covering 1,081 square km. All portions of this belt are within 10 km of a local transportation network that includes all-season highways, seasonal logging roads, ocean ports and three airstrips.

On January 13, 2011, the Company entered into a binding letter of intent with Andrew Quinlan, Roland Quinlan and Tony Quinlan. Pursuant to the letter of intent, the Company has the option to acquire the Fox Harbour Property comprised of three licenses totaling forty eight (48) claims located east of St. Lewis, Labrador. The Fox Harbour Property is located adjacent and connecting to the Port Hope Simpson REE district.

Preliminary prospecting and sampling were 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 of 2009. A total of 59 grab samples were collected from seven REE showings and the surrounding area and analyzed for trace, rare earth and major elements. Results and highlights of these analyses are available in a News Release (April 14, 2010) and a NI 43-101 compliant report on the B and A Option (June 30, 2010).

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

During the 2010 field season, Search was working in the area with a team of 18, consisting of prospectors and geologists, on follow-up mapping, lithochemical sampling, channel sampling and prospecting of the higher priority targets. This work led to the discovery of numerous mineral indications and a total of eight REE prospects including: HighREE Island, Fox Harbour Zone, HighREE Hills (four announced showings – Toots Cove, Pesky Hill, Southern Shore and Piperstock Hill), Rock Rolling Hill and Rattling Bog. The drill programs on HighREE Island, which consisted of 13 holes totaling 2,029m, and at the Foxtrot Showing (Fox Harbour Zone), which consisted of 23 holes totaling 3,955m, have resulted from these discoveries. Drill core samples from HighREE Island and Fox Harbour were provided to the laboratory for assaying. Representative mineralogical and metallurgical samples (20kg) were collected from HighREE Island and the Fox Harbour Zone and have been tested at the SGS Laboratory in Lakefield, Ontario.

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

On February 14, 2012, the Company filed an independent National Instrument 43-101 Technical Report, including a Mineral Resource Estimate, on the Foxtrot Project (Fox Harbour Zone). The Mineral Resource Estimate was based on the first two phases of drilling completed in the 2010/2011 field season. This report outlined a 43-101 compliant resource that consisted of 3.41 Mt of indicated at a grade of 0.89% total Rare Earth Elements and 5.85 Mt of inferred at a grade of 0.80% total Rare Earth Elements. The Technical Report recommended that a Preliminary Economic Assessment (“PEA”) be undertaken. Roscoe Postle & Associates were commissioned to complete the PEA.

On March 1, 2012, the Company confirmed the discovery of mineralization on the Pesky Hill REE prospect. Channel samples from this prospect revealed high concentration of Dy, Tb, Nb, Zr and Y. Results are detailed in the March 1, 2012 news release.

On March 20, 2012, the Company announced the discovery of the Fox Pond and Foxy Lady REE prospects. These two prospects exhibit similar grades, host rocks and REE minerals as those found at Foxtrot. Results are detailed in the March 20, 2012 news release.

On May 1, 2012, Roscoe Postle & Associates completed the Preliminary Economic Assessment (“PEA”) on the Foxtrot Project. Operational highlights include a mine life of 10 years and proposed production of 14.3 Mt at a grade of 0.58% total Rare Earth Elements. Financial highlights include a \$408 million pre-tax Net Present Value (at a 10% discount rate), a 29% pre-tax Internal Rate of Return, \$1.1 billion pre-tax undiscounted cash flows and total net revenue of \$3.0 billion. Additional details are disclosed in the news release dated May 1, 2012.

On May 9, 2012, the Company announced the completion of metallurgical tests on a bulk sample from the Foxtrot Project to produce a high grade REE product for refining. Mineralogy studies have shown

that the REE minerals in Foxtrot are Allanite, Fergusonite, Chevkinite, with minor Bastnasite/Synchysite and Monazite. Details are disclosed in the news release dated May 9, 2012.

The Company's focus in the Port Hope Simpson REE District will be on nine REE prospects/project including: the Foxtrot Project, Piperstock Hill, Toots Cove, Southern Shore, Pesky Hill, HighREE Island, Ocean View, Fox Pond and Foxy Lady Prospects.

Henley Harbour Property

Henley Harbour occurs in the centre of six licenses 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. 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 has carried out a modest reconnaissance program of prospecting, mapping, channel sampling and litho-geochemical sampling in this area in the 2010 and 2011 field seasons. Compilation of this work and assay data for samples collected will lead to evaluation and planning for future work on this property.

Summary

From the many properties that Search now controls, the Company has elected to focus its near term exploration efforts on four properties: Red Wine Complex/ Letitia Lake; Strange Lake, Henley Harbour 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 samples from two laterite deposits in Brazil. Proof of Concept has been established in using the starved acid leach technology ("SALT") on samples from a saprolite nickel deposit and tailings produced from a limonitic ore. In both cases nickel and cobalt were put into solution using this novel process which minimizes sulphuric acid consumption. Sulphuric acid is usually the largest cost component in treating nickel laterites. Sufficient progress had been made to proceed to the pilot plant stage.

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

Patent applications have been filed in the United States and Brazil and are pending in other jurisdictions through the PCT convention. The Company has granted Votorantim the exclusive and irrevocable right and option, exercisable for up to three years, to acquire a 50% undivided interest in the Brazilian patent, if and when it is granted by Brazil’s National Institute of Intellectual Property (“INPI”). The Company filed a patent application with INPI in early 2011. On exercise of the option, Votorantim would be entitled to an undivided 50% interest in the patent, which will entitle Votorantim to use and exploit the patent within Brazil in accordance with the terms of the agreement.

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

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

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

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

RESULTS OF OPERATIONS

The Company incurred a net loss of \$916,136 (\$0.02 per share) for the six months ended May 31, 2012 as compared to a net loss of \$1,099,354 (\$0.03 per share) for the six months ended May 31, 2011. 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.

	May 31, 2012 (\$)	May 31, 2011 (\$)
Net loss for the period as reported	(916,136)	(1,099,354)
Add (deduct):		
Amortization	39,294	32,465
Share-based payments	27,912	877,510
Gain on option agreement	-	(355,000)
Loss (gain) on sale of marketable securities	153,326	(13,324)
Operator fee income	(4,085)	(10,941)
Technology research	170,999	144,572
Deferred income tax recovery	-	(32,500)
Adjusted net loss for the period ⁽¹⁾	(528,690)	(456,572)

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

- Amortization increased due to the additions in equipment during the year ended November 30, 2011. The equipment purchased is comprised mostly of mining exploration equipment as well as computer equipment.
- Share-based payments expense for the six months ended May 31, 2012 resulted from the Company granting 155,000 stock options at the fair value of \$0.18 per stock option. During the six months ended May 31, 2011, the Company granted 2,435,000 stock options at the fair value of \$0.37 per stock option. The fair value of an option has decreased from the 2011 period to the 2012 period primarily due to the decrease in the stock price of the Company on the respective grant dates.
- The gain/loss on sale of marketable securities arose as a result of the Company selling shares of GWG and Quest, received pursuant to option agreements.
- Operator fee income is the amount the Company has recorded with respect to acting as the operator for GWG's exploration program on the Company's Red Wine Property.
- Technology research costs during the periods represent consulting fees, travel expenses and legal fees. The increase in the current period is due primarily to consulting fees associated with the Votorantim agreement.
- Deferred income tax recovery resulted from flow-through shares issued during the year ended November 30, 2010.

During the current and comparative periods, the Company has been actively exploring its mineral properties in Newfoundland and Labrador. The increase in the adjusted net loss for the six months ended May 31, 2012 as compared to the six months ended May 31, 2011 is the net result of a number of differences in various expenses as follows:

- Accounting and audit fees increased from \$37,068 to \$54,789. The increase was due to an increase in activity.
- Administration expense and management fees increased from \$113,313 to \$140,678. The increase is due to an increase in compensation to management and administrative staff due to increased activity.
- Consulting fees decreased from \$65,682 to \$55,044.
- Legal fees decreased from \$40,934 to \$30,433.
- Office and miscellaneous expenses increased from \$97,394 to \$160,971 due primarily to an increase in investor relations fees (\$84K).
- Travel and accommodation expenses decreased from \$57,563 to \$51,602.

Three months ended May 31, 2012 and 2011

	May 31, 2012 (\$)	May 31, 2011 (\$)
Net loss for the period as reported	(241,203)	(529,979)
Add (deduct):		
Amortization	19,787	20,667
Share-based payments	-	516,717
Gain on option agreement	-	(355,000)
Gain on sale of marketable securities	-	(13,324)
Operator fee income	(491)	(9,383)
Technology research	3,267	87,139
Adjusted net loss for the period ⁽¹⁾	(218,640)	(283,163)

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

QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended May 31, 2012.

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

	Three Months Ended (\$)			
	May 31, 2011	Feb 28, 2011	Nov 30, 2010	Aug 31, 2010
Total Revenues	-	-	-	-
Net Loss	(529,979)	(569,375)	(587,981)	(347,468)
Net Loss Per Share (basic and diluted)	(0.01)	(0.02)	(0.03)	(0.02)
Total Assets	15,254,797	14,986,826	5,996,760	4,122,939
Total Liabilities	553,001	625,575	1,621,346	367,299
Shareholders' Equity	14,701,796	14,361,251	4,375,414	3,755,640

⁽¹⁾ The basic and diluted calculations result in the same values.

⁽²⁾ Information for November 30, 2010 and August 31, 2010 are presented in accordance with Canadian GAAP. All other quarters are presented in IFRS.

The increase in total assets during the three months ended February 28, 2011 was due to the proceeds from the issuance of common shares, net of issue costs, of \$7,720,419 and subscriptions received of \$2,277,500. The increase in total assets during the three months ended November 30, 2010 was due to

the completion of a non-brokered private placement for gross proceeds of \$1,000,000 and expenditures on the mineral properties.

The net loss for the three months ended February 29, 2012, November 30, 2011, August 31, 2011, May 31, 2011, February 28, 2011, November 30, 2010 and August 31, 2010 included share-based payment expense of \$27,912, \$95,341, \$8,635, \$516,717, \$360,793, \$122,780 and \$209,842, respectively.

The three months ended August 31, 2011, May 31, 2011 and August 31, 2010 included gains on option agreements of \$463,800, \$355,000 and \$43,886, respectively, as a result of receiving cash and shares from GWG and Quest in excess of the carrying value of the Red Wine Property and the Strange Lake Property. The net income recorded for the quarter ended August 31, 2011 was a result of the gain on option agreements of \$463,800.

For the three months ended November 30, 2011 and November 30, 2010, the Company recorded write-downs of staking deposits and mineral properties of \$6,225 and \$222,887, respectively, as a result of abandoning certain licenses.

FINANCING ACTIVITIES

During the six months ended May 31, 2012, the Company did not complete any financing activities other than the receipt of \$30,000 from the exercise of 200,000 stock options.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed approximately \$696,000 of cash (before working capital items) for the six months ended May 31, 2012 (2011 - \$590,000) with an additional approximate \$2,299,000 (2011 - \$2,569,000) utilized on mineral property acquisitions, deferred exploration expenditures and the purchase of equipment offset by proceeds from the sale of marketable securities and cash received from GWG. The cash requirement for the six months ended May 31, 2012 was fulfilled from cash on hand at the beginning of the period.

The Company's aggregate operating, investing and financing activities during the six months ended May 31, 2012 resulted in a net decrease in its cash balance from \$3,547,916 at November 30, 2011 to \$300,602 at May 31, 2012. The Company's working capital decreased by \$2,580,419 correspondingly during the six months ended May 31, 2012, and stood at \$543,938 at May 31, 2012. The Company has accumulated losses since inception of \$4,861,379.

The Company does not have any commitments for material capital expenditures over the near term or long term and none are presently contemplated in excess of normal operating requirements other than the \$50,000 in remaining cash payments required for the Port Hope Simpson Property and the remaining \$65,000 in remaining cash payments required for Fox Harbour Property as described in Note 7 to the attached unaudited condensed interim consolidated 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. Since the Company will not have cash flows from operations over the next year, it will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether

debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended May 31, 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.

International Financial Reporting Standards (“IFRS”)

For years beginning after January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date for the Company is December 1, 2010. The six months ended May 31, 2012 is the Company’s second reporting period under IFRS.

The Company’s IFRS conversion team identified four phases to the Company’s conversion: scoping and planning, detailed assessment, implementation and post-implementation. The Company has now completed its IFRS conversion project through the implementation phase. The post-implementation phase will continue in future periods, as outlined below.

The accompanying unaudited condensed interim consolidated financial statements provide details of the Company’s key Canadian GAAP to IFRS differences, accounting policy decisions and IFRS 1, First-Time Adoption of IFRS, exemptions for significant or potentially significant areas that have had an impact on the Company’s financial statements on transition to IFRS or may have an impact in future periods.

The conversion to IFRS has had a low impact on the financial record keeping and financial disclosures of the Company. Internal controls were unaffected by the IFRS conversion. Accounting systems have been assessed and re-configured to ensure accurate reporting under IFRS, both internally and externally.

Transitional Financial Impact

The table below outlines adjustments to the Company's assets, liabilities and equity on adoption of IFRS on December 1, 2010, May 31, 2011 and November 30, 2011 for comparative purposes:

	November 30, 2011 \$	May 31, 2011 \$	December 1, 2010 \$
Total assets under Canadian GAAP and IFRS	16,148,690	15,254,797	5,996,760
Total liabilities under Canadian GAAP	2,085,590	553,001	1,621,346
Adjustments:			
Flow-through tax liability as a result of the accounting treatment of flow-through shares	-	-	32,500
Total liabilities under IFRS	2,085,590	553,001	1,653,846
Total equity under Canadian GAAP	14,063,100	14,701,796	4,375,414
Adjustments:			
Accounting treatment of flow-through shares	-	-	(32,500)
Total equity under IFRS	14,063,100	14,701,796	4,342,914

The following is a summary of the adjustments to comprehensive loss for the six months ended May 31, 2011 and the year ended November 30, 2011 under IFRS (all of which are outlined in the notes to the accompanying unaudited condensed interim consolidated financial statements):

	Six months ended May 31, 2011 \$	Year ended November 30, 2011 \$
Total comprehensive loss under Canadian GAAP	(819,354)	(1,556,081)
Adjustments:		
Decrease in income tax recovery as a result of the accounting treatment of flow-through shares	(280,000)	(280,000)
Total comprehensive loss under IFRS	(1,099,354)	(1,836,081)

All of the above adjustments are non-cash accounting adjustments.

Post-implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. We note that the standard setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. In particular, there may be additional new or revised IFRSs or International Financial Reporting Issues Committee ("IFRIC"s) in relation to consolidation, financial instruments, and leases. We also note that the International

Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Company's financial statements primarily in the areas of capitalization of exploration costs and disclosures. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC interpretations will be evaluated as they are drafted and published.

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.

OUTSTANDING SHARE CAPITAL

Authorized: Unlimited number of common shares

Issued and outstanding: 47,586,772 common shares as at July 26, 2012.

Options and warrants outstanding as at July 26, 2012:

Security	Number	Exercise Price	Expiry Date
Stock Options	759,500	\$0.400	February 16, 2015
Stock Options	515,000	\$0.470	June 22, 2015
Stock Options	287,500	\$0.550	November 8, 2015
Stock Options	875,000	\$0.600	March 1, 2016
Stock Options	1,120,000	\$0.485	March 31, 2016
Stock Options	300,000	\$0.480	April 7, 2016
Stock Options	155,000	\$0.260	January 19, 2017
Share Purchase Warrants	2,144,000	\$1.000	November 1, 2012
Share Purchase Warrants	1,222,222	\$0.800	January 6, 2013
		\$0.900	January 6, 2014
Share Purchase Warrants	13,611,112	\$0.800	February 25, 2013
		\$0.900	February 25, 2014
Share Purchase Warrants	3,888,886	\$0.800	March 7, 2013
		\$0.900	March 7, 2014

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the six months ended May 31, 2012 and this accompanying MD&A (together, the "Interim Filings").

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

OTHER INFORMATION

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