SEARCH MINERALS INC.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2011 and 2010

Search Minerals Inc. (An Exploration Stage Company)

Consolidated Financial Statements

Years ended November 30, 2011 and 2010

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charlton

charlton & company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Search Minerals Inc.

We have audited the consolidated balance sheet of Search Minerals Inc. as at November 30, 2011 and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the year then ended and the related notes including a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Search Minerals Inc. as at November 30, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matters
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matters
The financial statements as at November 30, 2010 were audited by other auditors who expressed an unmodified opinion on those statements in their report dated March 29, 2011.

"CHARLTON & COMPANY"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
March 28, 2012

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
November 30, 2011 and 2010

	2011 **$**	2010 $
ASSETS		
Current		
Cash and cash equivalents	**3,547,916**	1,518,387
HST/GST recoverable	**410,194**	314,396
Other receivable (Note 6)	**753,272**	427,337
Marketable securities (Note 3)	**405,500**	40,000
Other assets	**93,065**	33,554
	5,209,947	2,333,674
Equipment (Note 4)	**210,791**	116,214
Reclamation deposits	**50,000**	-
Staking deposits (Note 5)	**288,350**	306,659
Mineral properties and deferred exploration (Note 6 and Schedule 1)	**10,389,602**	3,240,213
	16,148,690	5,996,760
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9)	**2,085,590**	1,621,346
Shareholders' equity		
Share capital (Note 7)	**16,481,185**	6,292,197
Warrants	**166,208**	97,097
Contributed surplus	**1,659,276**	673,608
Accumulated other comprehensive (loss) income	**(115,023)**	20,500
Deficit	**(4,128,546)**	(2,707,988)
	14,063,100	4,375,414
	16,148,690	5,996,760

Nature of Operations and Going Concern (Note 1)
Commitments (Notes 6 and 7)
Subsequent Events (Notes 6, 7 and 14)

On behalf of the Board:

"James Patterson" Director — James Patterson

"James Clucas" Director — James Clucas

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended November 30, 2011 and 2010

	2011 **$**	2010 $
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	**110,673**	131,455
Administration expense and management fees (Note 9)	**250,434**	146,622
Amortization	**87,446**	38,302
Consulting fees (Note 9)	**158,858**	177,974
Legal fees	**61,771**	54,507
Non-executive directors fees (Note 9)	**42,000**	36,000
Office and miscellaneous	**270,846**	94,155
Regulatory and transfer agent fees	**31,831**	29,073
Rent	**30,263**	23,750
Stock-based compensation (Note 7(c))	**981,486**	593,064
Travel and accommodation	**153,374**	47,062
Loss for the year before other items	**(2,178,982)**	(1,371,964)
Other income (expense) items		
Gain on option agreements (Note 6)	**818,800**	43,886
(Loss) gain on sale of marketable securities (Note 3)	**(11,652)**	32,664
Interest income	**49,613**	2,702
Gain on disposal of equipment	**2,783**	-
Operator fee income (Note 6)	**79,718**	115,567
Technology research (Notes 8 and 9)	**(487,113)**	(208,803)
Write-down of mineral properties (Note 6)	**-**	(187,154)
Write-down of staking deposits (Note 5)	**(6,225)**	(35,733)
Loss for the year before income taxes	**(1,733,058)**	(1,608,835)
Future income tax recovery (Note 7(f) and 10)	**312,500**	-
Loss for the year	**(1,420,558)**	(1,608,835)
Other comprehensive (loss) income for the year		
Unrealized (loss) gain on marketable securities (Note 3)	**(147,175)**	53,164
Realized loss (gain) on marketable securities (Note 3)	**11,652**	(32,664)
Comprehensive loss for the year	**(1,556,081)**	(1,588,335)
Basic and diluted loss per share	**(0.03)**	(0.09)
Weighted average number of common shares outstanding	**41,390,344**	18,412,952

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended November 30, 2011 and 2010

	2011	2010
	$	$
Cash (used in) provided by		
OPERATING ACTIVITIES		
Net loss for the year	**(1,420,558)**	(1,608,835)
Items not affecting cash:		
Amortization	**87,446**	38,302
Future income tax recovery	**(312,500)**	-
Gain on option agreement	**(818,800)**	(43,886)
Loss (gain) on sale of marketable securities	**11,652**	(32,664)
Gain on disposal of equipment	**(2,783)**	-
Stock-based compensation	**981,486**	593,064
Write-down of mineral properties	**-**	187,154
Write-down of staking deposits	**6,225**	35,733
	(1,467,832)	(831,132)
Changes in non-cash working capital items:		
HST/GST recoverable	**(95,798)**	(268,244)
Other assets	**(59,511)**	(32,054)
Accounts payable and accrued liabilities	**(5,423)**	8,841
	(1,628,564)	(1,122,589)
INVESTING ACTIVITIES		
Mineral property costs, net	**(6,411,222)**	(1,228,278)
Other receivables	**(325,935)**	(427,337)
Proceeds from sale of marketable securities	**231,125**	73,564
Purchase of equipment	**(220,275)**	(147,036)
Proceeds from sale of equipment	**41,035**	-
Reclamation deposit	**(50,000)**	-
Staking costs, net of recoveries	**12,084**	(191,073)
	(6,723,188)	(1,920,160)
FINANCING ACTIVITIES		
Issuance of common shares	**10,456,833**	4,216,175
Share issue costs	**(75,552)**	(247,171)
	10,381,281	3,969,004
Increase in cash and cash equivalents during the year	**2,029,529**	926,255
Cash and cash equivalents, beginning of the year	**1,518,387**	592,132
Cash and cash equivalents, end of the year	**3,547,916**	1,518,387
Cash and cash equivalents are comprised of:		
Cash	**445,327**	718,387
Cash equivalents	**3,102,589**	800,000
Cash paid for interest	**-**	-
Cash paid for income taxes	**-**	-

Non-cash Transactions (Note 12)

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

SEARCH MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended November 30, 2011 and 2010

	Issued Share Capital							
	Number of Shares	Amount $	Subscriptions Received $	Warrants $	Contributed Surplus $	AOCI $	Deficit $	Total Shareholders' Equity $
Balance, November 30, 2009	12,775,385	2,267,666	-	70,800	77,668	-	(1,099,153)	1,316,981
For cash pursuant to private placements of units	9,320,000	3,910,400	-	56,600	-	-	-	3,967,000
Less: Issue costs – cash	-	(247,171)	-	-	-	-	-	(247,171)
Less: Issue costs – agent's warrants	-	(40,497)	-	40,497	-	-	-	-
Pursuant to mineral property agreements (Note 6)	210,000	84,700	-	-	-	-	-	84,700
Pursuant to warrant exercises	1,140,500	199,175	-	-	-	-	-	199,175
Transfer on exercise of warrants	-	33,100	-	(33,100)	-	-	-	-
Pursuant to option exercises	175,000	50,000	-	-	-	-	-	50,000
Transfer on exercise of options	-	34,824	-	-	(34,824)	-	-	-
Transfer on expiry of warrants	-	-	-	(37,700)	37,700	-	-	-
Stock-based compensation	-	-	-	-	593,064	-	-	593,064
Comprehensive income for the year	-	-	-	-	-	20,500	-	20,500
Net loss for the year	-	-	-	-	-	-	(1,608,835)	(1,608,835)
Balance, November 30, 2010	23,620,885	6,292,197	-	97,097	673,608	20,500	(2,707,988)	4,375,414
For cash pursuant to private placements of units	18,722,220	8,331,388	-	93,611	-	-	-	8,424,999
Less: Issue costs – cash	-	(75,552)	-	-	-	-	-	(75,552)
Pursuant to mineral property agreements (Note 6)	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	-	-	-
Future income tax on flow-through shares	-	(312,500)	-	-	-	-	-	(312,500)
Stock-based compensation	-	-	-	-	981,486	-	-	981,486
Comprehensive loss for the year	-	-	-	-	-	(135,523)	-	(135,523)
Net loss for the year	-	-	-	-	-	-	(1,420,558)	(1,420,558)
Balance, November 30, 2011	**46,686,772**	**16,481,185**	**-**	**166,208**	**1,659,276**	**(115,023)**	**(4,128,546)**	**14,063,100**

The accompanying notes are an integral part of these 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 November 30, 2011, the Company was in the exploration stage and had properties located in Canada.

The Company is currently exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The 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 consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. 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. At November 30, 2011, the Company had not yet achieved profitable operations, had an accumulated deficit of $4,128,546 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. Significant Accounting Policies

These consolidated financial statements of the Company have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results may vary from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of consolidation

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

b) Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks, lawyer's trust accounts and all investments that are highly liquid in nature and are redeemable for cash within three months or less, at acquisition, which are readily convertible into known amounts of cash at the Company's option.

c) Equipment and amortization

The Company records its acquisition of equipment at cost. The Company provides for amortization, once the assets are in use, over their estimated useful lives on the declining balance method at a rate of 30% per year for vehicles, 20% per year for buildings, 20% to 55% for office furniture and equipment and 40% for field equipment.

d) Mineral properties and deferred exploration

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

e) Impairment of long-lived assets

The Company has adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC-126, "Accounting by Mining Enterprises for Exploration Costs" ("EIC-126") of the Emerging Issues Committee on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

EIC-126 provides that an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mineral properties is required.

f) Asset retirement obligations ("ARO")

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion, and amortization of the underlying assets. Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included as an operating item in the statements of operations.

As at November 30, 2011 and 2010, the Company had no asset retirement obligations.

g) Share capital

Share capital issued for non-monetary consideration is recorded at fair value, being the market share price of the shares at the time of issuance.

h) Share issue costs

Costs incurred in raising equity financing are charged directly against the proceeds from the issuance of equity financing. If a proposed equity financing is abandoned, the associated costs are charged to operations.

i) Revenue recognition

Interest income is recorded as earned. Operator fee income collected from joint venture partners is recorded on the statement of operations in the period earned to offset the expenses incurred.

j) Income taxes

The fundamental principle of “future income taxes” is that an enterprise recognizes a future income tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflows. Similarly, an enterprise recognizes a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions. An extension of this fundamental principle is that in the case of unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax benefits is determined by reference to the likely realization of a future income tax reduction.

k) Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended November 30, 2011 and 2010, potentially dilutive common shares (relating to share purchase options and warrants outstanding) totaling 27,861,220 (2010: 11,714,000) were not included in the computation of loss per share because their effect was anti-dilutive.

l) Comprehensive income

Comprehensive income (loss) includes both net income (loss) and other comprehensive income (loss) (“OCI”). OCI is the change in shareholders’ equity from non-owner sources which is not included in the calculation of net income (loss) until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income (Loss) (“AOCI”), which is presented as a new category of shareholders’ equity on the balance sheet.

m) Financial instruments recognition, measurement, disclosure and presentation

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

n) Stock-based compensation

The Company has a stock-based compensation plan (Note 7), whereby stock options are granted in accordance with the policies of regulatory authorities. The Company records a compensation cost attributable to all share purchase options granted at fair value at the grant date using the Black-Scholes valuation model and the fair value of all share purchase options are expensed over their vesting period with a corresponding increase to contributed surplus. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of: (i) the date at which the counterparty performance is complete; (ii) the date the performance commitment is reached; or (iii) the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Black-Scholes model requires the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

o) Broker warrants and warrants

Warrants issued to agents or brokers in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to warrants in shareholders' equity.

The company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in warrants.

p) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The tax effect related to renounced expenditures is recorded as a reduction of share capital and an increase in future income tax liabilities. If previously unrecorded future income tax assets exist to offset some or all of the future income tax liability, the future income tax liability is reduced by such amount which is credited to future income tax expense.

q) Research and development costs

All research and development costs are expensed when incurred unless they meet specific criteria for deferral and amortization. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project.

r) Measurement uncertainty

Certain amounts recognized in the consolidated financial statements are subject to measurement uncertainty.

The investment in and expenditure on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the attainment of successful production from these properties or from the proceeds of their disposal. Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties which are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. Other significant areas which require management's estimates include reclamation obligations and fair value of stock-based compensation.

The recognized amounts of such items are based on the Company's best information and judgment. Such amounts may change materially in the future as management continues to gather information on the mineral properties.

Recently adopted accounting policies

Business combinations, consolidated financial statements and non-controlling interest

Effective December 1, 2010, the Company elected to early adopt CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008).

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

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

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

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that accounting standards in Canada for public companies are required to converge with IFRS beginning on or after January 1, 2011.

The Company will be required to prepare its consolidated financial statements in accordance with IFRS beginning with the three months ended February 29, 2012, with restatement of the Company's comparative figures required. The Company is in the process of developing a plan for the implementation of IFRS and will assess the impact of the differences in accounting standards on the Company's consolidated financial statements. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements.

3. 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 6). 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 year ended November 30, 2011, the Company sold 305,000 common shares of GWG for proceeds of $211,152 and 5,000 common shares of Quest for proceeds of $19,973 and accordingly, the Company recognized losses on sale of marketable securities of $11,652.

During the year ended November 30, 2010, the Company sold 100,000 common shares of GWG for proceeds of $36,639 and 10,000 common shares of Quest for proceeds of $36,925 and accordingly, the Company recognized gains on sale of marketable securities of $32,664.

At November 30, 2011, the Company had 645,000 common shares of GWG with a fair value of $374,100 (2010: 100,000 common shares with a fair value of $40,000). At November 30, 2011, the Company had 10,000 common shares of Quest with a fair value of $31,400 (2010: none). The aggregate fair value of marketable securities at November 30, 2011 was $405,500 (2010: $40,000).

During the year ended November 30, 2011, the Company recognized other comprehensive loss of $135,523 (2010: income of $20,500) on revaluation of the GWG and Quest common shares.

4. Equipment

	November 30, 2011		
	Cost	Accumulated Amortization	Net
Vehicles	$ 93,375	$ 20,950	$ 72,425
Buildings	10,000	2,400	7,600
Office furniture and equipment	32,923	15,346	17,577
Field equipment	205,645	92,456	113,189
	$ 341,943	$ 131,152	$ 210,791

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

5. Staking Deposits

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

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

	Total $
Balance, November 30, 2009	151,319
Additions	200,598
Recoveries	(9,525)
Write-down of staking deposits	(35,733)
Balance, November 30, 2010	306,659
Additions	112,702
Recoveries	(124,786)
Write-down of staking deposits	(6,225)
Balance, November 30, 2011	288,350

6. Mineral Properties – Schedule 1

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

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

Port Hope Simpson 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. The Company paid $20,000 during the year ended November 30, 2010 and $30,000 during the year ended November 30, 2011. The Company must pay $40,000 on or before January 14, 2012 (paid subsequent to November 30, 2011) and $50,000 on or before January 14, 2013.

The Company must also issue an aggregate 1,100,000 common shares of the Company. The Company issued 200,000 common shares on March 29, 2010 at the fair value of $80,000 and 250,000 common shares on January 14, 2011 at the fair value of $180,000. The Company must issue 300,000 shares on or before January 14, 2012 (issued subsequent to November 30, 2011) and 350,000 shares on or before January 14, 2013.

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

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 subsequent to November 30, 2011) and issue 50,000 common shares on or before February 25, 2012 (issued subsequent to November 30, 2011);
- 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 can acquire up to a 50% working interest in the Company's Red Wine Property, located approximately 100km north-east of Churchill Falls, Labrador.

Under the terms of the Letter Agreement, GWG will pay an aggregate of $225,000 and GWG will issue an aggregate of 1,050,000 common shares as follows:

- $50,000 (received) and 200,000 common shares of GWG on March 16, 2010 (received at the fair value of $39,000);
- $75,000 (received) and 350,000 common shares of GWG on or before April 30, 2011 (received at the fair value of $280,000); and,
- $100,000 (received) and 500,000 common shares of GWG on or before April 30, 2012 (received at the fair value of $375,000).

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

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

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 10% operator fee, payable in cash. During the year November 30, 2011, the Company recorded $79,718 of operator fee income (2010: $115,567).

During the year ended November 30, 2011, the Company recorded a gain on option agreement of $730,000 (2010: $43,886). This amount represents the value of cash and shares recorded in excess of the carrying amount of the Red Wine Property when they were received.

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

At November 30, 2011, other receivable of $753,272 was comprised of mineral exploration expenditures incurred by the Company on behalf of GWG (2010: $427,337). Subsequent to November 30, 2011, the Company received $250,000.

Strange Lake Property, Labrador

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

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

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

- 10,000 common shares of Quest on June 22, 2010, 2010 (received at the fair value of $21,400);
- 15,000 common shares of Quest on or before June 14, 2011 (received at the fair value of $88,800);
- 25,000 common shares of Quest on or before June 14, 2012; and,
- 40,000 common shares of Quest on or before June 14, 2013.

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

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

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

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

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 year ended November 30, 2011, the Company recorded a gain on option agreement of $88,800 (2010: $nil). This amount represents the value of shares recorded in excess of the carrying amount of the Strange Lake Property.

Katie Property and Other Properties

During the year ended November 30, 2010, the Company abandoned certain licenses on the Katie Property and Other Properties. Accordingly, the Company wrote-down the Katie Property by $15,608 and wrote-down Other Properties by $161,064.

7. Share capital

a. Common shares authorized

Unlimited number of common shares

46,686,772 outstanding at November 30, 2011 (2010 – 23,620,885)

b. 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.

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.

During the year ended November 30, 2010:

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

ii) In March 2010, the Company completed a non-brokered private placement of 2,400,000 units at a price of $0.35 per unit for gross proceeds of $840,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at $0.50 per share up to March 5, 2011. A value of $12,000 has been attributed to the warrants using the residual method. The Company incurred $51,469 of legal fees and other fees in connection with the private placement.

iii) In May 2010, the Company completed a non-brokered private placement of 2,000,000 non flow-through units at a price of $0.50 per non flow-through unit and 420,000 flow-through units at a price of $0.60 per flow-through unit for aggregate gross proceeds of $1,252,000. Each non flow-through unit is comprised of one common share and one share purchase warrant. Each flow-through unit is comprised of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common of the Company at $0.75 per share up to May 31, 2012. A value of $12,100 has been attributed to the warrants using the residual method. The Company incurred $103,612 of legal fees and other fees in connection with the private placement.

iv) In November 2010, the Company completed a non-brokered private placement of 2,000,000 flow-through units at a price of $0.50 per flow-through unit for gross proceeds of $1,000,000. Each flow-through unit is comprised of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common of the Company at $0.80 per share up to November 1, 2011 and $1.00 per share up to November 1, 2012. A value of $20,000 has been attributed to the warrants using the residual method.

The brokers received cash finder's fees of $45,000 and the Company issued 144,000 brokers' warrants. Each brokers' warrant entitles the holder thereof to purchase an additional common share of the Company at $0.80 per share up to November 1, 2011 and $1.00 per share up to November 1, 2012. The brokers' warrants were valued at $40,497 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 1.43%; expected life – 2.0 years; expected volatility – 134%; and expected dividends – nil. The Company incurred $39,340 of legal fees and other fees in connection with the private placement.

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 years ended November 30, 2011 and 2010 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, November 30, 2009	650,000	$0.13	3.92
Granted	1,775,000	$0.45	
Exercised	(175,000)	$0.29	
Outstanding, November 30, 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
Exercisable, November 30, 2011	4,550,000	$0.45	

At November 30, 2011, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
100,000	$0.20	May 3, 2012
(3) 450,000	$0.10	July 3, 2014
775,000	$0.40	February 16, 2015
540,000	$0.47	June 22, 2015
300,000	$0.55	November 8, 2015
875,000	$0.60	February 25, 2016
1,185,000	$0.485	March 31, 2016
300,000	$0.48	April 7, 2016
(1) 50,000	$0.48	May 26, 2016
(2) 4,575,000		

(1) These options vest as to ¼ three months from the date of grant and ¼ every three months thereafter.
(2) Subsequent to November 30, 2011, 168,000 of these options were forfeited.
(3) Subsequent to November 30, 2011, 100,000 of these options were exercised for gross proceeds of $10,000.

The weighted average fair value of share purchase options granted during the year ended November 30, 2011 of $0.41 (2010: $0.33) per option was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	1.98%	1.98%
Expected life	4.0 years	4.0 years
Expected volatility	113-116%	134%
Expected dividends	Nil	Nil

During the year ended November 30, 2011, the Company recorded stock-based compensation expense of $981,486 (2010: $593,064).

d. Warrants

Changes in share purchase warrants during the years ended November 30, 2011 and 2010 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, November 30, 2009	1,450,500	$0.25	0.76
Issued	9,464,000	$0.63	
Exercised	(1,140,500)	$0.17	
Expired	(310,000)	$0.46	
Balance, November 30, 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

At November 30, 2011, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
2,420,000	$0.75	May 31, 2012
2,144,000	$1.00	November 1, 2012
(1)1,222,222	$0.70	January 6, 2012
	$0.80	January 6, 2013
	$0.90	January 6, 2014
(1)13,611,112	$0.70	February 25, 2012
	$0.80	February 25, 2013
	$0.90	February 25, 2014
(1)3,888,886	$0.70	March 7, 2012
	$0.80	March 7, 2013
	$0.90	March 7, 2014
23,286,220		

(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

e. Escrow

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

f. Flow-through Shares

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

During November 2010, the Company issued 2,000,000 flow-through units at a price of $0.50 flow-through unit for gross proceeds of $1,000,000, of which $998,000 applies to the flow-through shares. The Company incurred aggregate eligible Canadian Exploration Expenditures in this amount prior to December 31, 2011.

During the year ended November 30, 2011, the Company renounced an aggregate of $1,250,000 to the subscribers effective December 31, 2010. The amount will not be available to the Company for future deduction from taxable income. The future income tax liability estimated to be $312,500 (by applying a future tax rate of 25%) resulting from the renunciation of these qualifying expenditures was recorded during year ended November 30, 2011 when the renunciation tax forms were filed, and share capital was reduced accordingly. As the Company had sufficient future income tax assets to offset the future income tax liability, the Company recorded a recovery of future income tax of $312,500 during the year ended November 30, 2011.

8. 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 Sprolite Leaching
- Nickel and Cobalt Recovery from Caron Plant

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.

During the year ended November 30, 2011, the pilot plant stage was nearing completion and aggregate bonus payments of $250,000 were paid to the Vendors. During the year ended November 30, 2011, the Company incurred technology research expense of $487,113 (2010: $208,803).

9. Related Party Transactions

During the years ended November 30, 2011 and 2010, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders of:

	2011 **$**	2010 $
Administration expense and management fees	**195,833**	130,000
Consulting fees	**54,000**	45,938
Non-executive directors fees	**42,000**	36,000
Technology research	**340,000**	175,000
Mineral property expenditures		
Other	**-**	16,627
Geological consulting	**184,167**	125,000
	816,000	528,565

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

At November 30, 2011, accounts payable and accrued liabilities included $140,684 (2010: $93,971) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

10. Income Taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision for the years ended November 30, 2011 and 2010 is as follows:

	2011 **$**	2010 $
Statutory tax rate	**26.63%**	28.36%
Loss for the year before recovery of future income tax	**(1,733,058)**	(1,608,835)
Expected income tax recovery	**(461,000)**	(456,000)
Stock-based compensation and other	**209,000**	173,000
Unrecognized items for tax purposes	**(21,000)**	(64,000)
Effect of change in tax rate	**28,000**	20,000
Change in valuation allowance	**(67,500)**	327,000
Future income tax recovery	**(312,500)**	-

The significant components of the Company's net future income tax assets and liabilities at November 30, 2011 and 2010 are as follows:

	2011 **$**	2010 $
Future income tax assets		
Share issue costs	**58,000**	67,000
Non-capital losses carried forward	**577,000**	400,000
	635,000	467,000
Future income tax liability		
Mineral properties and other capital assets	**(312,500)**	(77,000)
Valuation allowance for future income tax assets	**(322,500)**	(390,000)
Future income tax assets	**-**	-

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

Losses that reduce future income for tax purposes expire as follows:

	$
2027	89,000
2028	231,000
2029	349,000
2030	869,000
2031	769,000
	2,307,000

In addition to the tax losses listed above there are resource related expenditures of approximately $9,240,000 which can be used to offset future Canadian income indefinitely.

11. Financial Instruments

Management of Capital

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern in order to facilitate the development of its mineral properties and to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met; and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, contributed surplus, accumulated other comprehensive (loss) income and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issue new debt, or acquire or dispose of assets, and control of the capital expenditures program.

The mineral properties are in the exploration stage. As such, the Company is dependent on external financing to develop its properties and fund its activities. In order to carry out its planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available, and may even dispose of its interest in the mineral properties.

Management reviews its capital management approach on an ongoing basis and no changes were made to the approach during the year ended November 30, 2011. At November 30, 2011 and 2010, the Company was not subject to any externally imposed capital requirements.

Fair Value of Financial Instruments

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

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

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

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

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

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

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

<u>Credit Risk</u>

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

<u>Commodity Price Risk</u>

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

<u>Liquidity Risk</u>

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

<u>Market Risk</u>

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

b) *Interest Rate Risk*

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

c) *Price Risk*

   Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company holds common shares of GWG and Quest. The Company is subject to price risk due to changes in the fair value of the GWG and Quest common shares. GWG and Quest are traded on the TSX-V. A 5% change in the fair value of the GWG and Quest shares would result in the Company incurring an unrealized gain/loss of approximately $20,275.

12. 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 year ended November 30, 2011 the following transactions were excluded from the statement of cash flows:

a) deferred exploration expenditures of $1,951,466 included in accounts payable and accrued liabilities at November 30, 2011, less expenditures included in accounts payable at November 30, 2010 of $1,481,799 (net exclusion of $469,667);

b) the receipt of marketable securities at the fair value of $743,800 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 year, from warrants to share capital; and,

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

During the year ended November 30, 2010 the following transaction was excluded from the statement of cash flows:

a) deferred exploration expenditures of $1,481,799 included in accounts payable and accrued liabilities at November 30, 2010, less expenditures included in accounts payable at November 30, 2009 of $199,757 (net exclusion of $1,282,042);

b) the receipt of marketable securities at the fair value of $60,400 pursuant to mineral property agreements;

c) the issuance by the Company of 210,000 shares at the fair value of $84,700 pursuant to mineral property option agreements;

d) the transfer of $33,100, the value of warrants exercised during the period, from warrants to share capital;

e) the transfer of $34,824, the value of options exercised during the period, from contributed surplus to share capital; and,

f) the transfer of $37,700, the value of warrants expired during the year, from warrants to contributed surplus.

13. Comparative Figures

Certain comparative amounts have been reclassified to conform to the current year’s presentation.

14. Subsequent Events

Additional subsequent events are disclosed in Notes 6 and 7.

Subsequent to November 30, 2011, the Company granted stock options to a director and a consultant which allow for the purchase of 155,000 common shares of the Company at a price of $0.26 per share up to January 19, 2017.

Subsequent to November 30, 2011, the Company sold all of its holdings in the common shares of GWG and Quest for aggregate gross proceeds of approximately $368,000.

Search Minerals Inc.
(An Exploration Stage Company)
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, November 30, 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 9)	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**

Search Minerals Inc.
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the year ended November 30, 2010

	Port Hope Simpson REE District, Labrador $	Strange Lake, Labrador $	Red Wine, Labrador $	Katie, Newfoundland $	Other, Newfoundland and Labrador $	Total $
Balance, November 30, 2009	383,470	22,557	45,114	171,690	226,030	848,861
Acquisition costs						
Cash	20,000	-	-	-	-	20,000
Shares	80,000	4,700	-	-	-	84,700
Staking	16,250	-	-	-	2,210	18,460
	116,250	4,700	-	-	2,210	123,160
Deferred exploration costs						
Airborne surveys	11,926	-	-	-	-	11,926
Assays	198,577	-	-	-	15,021	213,598
Camp	174,790	-	-	532	75	175,397
Drilling	421,623	-	-	1,755	-	423,378
Geological consulting (Note 9)	223,623	-	-	11,141	4,200	238,964
Helicopters	561,759	-	-	-	31,212	592,971
Line cutting	4,343	-	-	5,133	-	9,476
Other (Note 9)	307,295	2,125	-	9,712	1,702	320,834
Prospecting	510,724	-	-	900	11,412	523,036
Salaries, wages and benefits	32,527	-	-	14,276	-	46,803
Tax credits received	(37,023)	-	-	-	-	(37,023)
	2,410,164	2,125	-	43,449	63,622	2,519,360
Option agreements						
Option payments received – cash	-	-	(50,000)	-	-	(50,000)
Option payments received – shares	-	(21,400)	(39,000)	-	-	(60,400)
Operator fees paid	-	2,500	-	-	-	2,500
	-	(18,900)	(89,000)	-	-	(107,900)
Option proceeds recognized in the income statement	-	-	43,886	-	-	43,886
Write-down of mineral properties	-	(10,482)	-	(15,608)	(161,064)	(187,154)
	-	(10,482)	43,886	(15,608)	(161,064)	(143,268)
Balance, November 30, 2010	**2,909,884**	**-**	**-**	**199,531**	**130,798**	**3,240,213**