**SEARCH MINERALS INC.**
(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

(Unaudited - Expressed in Canadian dollars)

**Search Minerals Inc.** (An Exploration Stage Company)

**Condensed Interim Consolidated Financial Statements**

**Six months ended May 31, 2013 and 2012**
**(Unaudited - Expressed in Canadian Dollars)**


| | Page |
|---|---|
| Notice of No Auditor Review | 3 |
| Condensed Interim Consolidated Statements of Financial Position | 4 |
| Condensed Interim Consolidated Statements of Operations and Comprehensive Loss | 5 |
| Condensed Interim Consolidated Statements of Cash Flows | 6 |
| Condensed Interim Consolidated Statements of Changes in Equity | 7 |
| Notes to the Condensed Interim Consolidated Financial Statements | 8 – 15 |
| Condensed Interim Consolidated Schedule of Mineral Properties | 16 |

## NOTICE OF NO AUDITOR REVIEW OF

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

**SEARCH MINERALS INC.**
**(**An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

| | Note | **May 31, 2013 $** | November 30, 2012 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | | **327,375** | 422,173 |
| HST recoverable | | **193,109** | 244,539 |
| Other receivables | **5** | **16,568** | 22,747 |
| Other assets | | **27,474** | 42,877 |
| | | **564,526** | 732,336 |
| **Equipment** | | **110,608** | 135,240 |
| **Reclamation deposits** | | **50,000** | 50,000 |
| **Staking deposits** | **4** | **75,265** | 73,915 |
| **Mineral properties** (Schedule 1) | **5** | **8,732,772** | 8,268,018 |
| | | **9,533,171** | 9,259,509 |
| **LIABILITIES AND EQUITY ATTRIBUTABLE TO SHAREHOLDERS** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | **6,9** | **274,434** | 662,164 |
| **Equity attributable to shareholders** | | | |
| Share capital | **7** | **18,576,733** | 17,485,844 |
| Warrants | | **543,171** | 423,171 |
| Contributed surplus | | **1,885,537** | 1,789,354 |
| Deficit | | **(11,746,704)** | (11,101,024) |
| | | **9,258,737** | 8,597,345 |
| | | **9,533,171** | 9,259,509 |

**Nature of Operations** (Note 1)
**Going Concern** (Note 2)
**Commitments** (Notes 5, 7 and 8)

**On behalf of the Board:**

*"James Patterson"* Director
James Patterson

*"James Clucas"* Director
James Clucas

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

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

| | | For three months ended May 31, | | For the six months ended May 31, | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | **Note** | **$** | $ | **$** | $ |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | | | |
| Accounting and audit | | **21,066** | 28,123 | **43,253** | 54,789 |
| Administration and management fees | **9** | **108,885** | 66,398 | **178,617** | 140,678 |
| Amortization | | **12,316** | 19,787 | **24,632** | 39,294 |
| Consulting fees | **9** | **26,000** | 2,624 | **61,399** | 55,044 |
| Legal fees | | **11,004** | 21,967 | **15,604** | 30,433 |
| Non-executive directors fees | **9** | **19,500** | 9,000 | **42,000** | 18,000 |
| Office and miscellaneous | | **29,462** | 54,306 | **44,855** | 160,971 |
| Regulatory and transfer agent fees | | **6,139** | 2,150 | **12,793** | 12,810 |
| Rent | | **14,717** | 5,700 | **20,417** | 12,309 |
| Share-based payments | **7(c),9** | **96,183** | - | **96,183** | 27,912 |
| Travel and accommodation | | **12,545** | 31,134 | **17,189** | 51,602 |
| **Loss for the period before other items** | | **(357,817)** | (241,189) | **(556,942)** | (603,842) |
| **Other income (expense) items** | | | | | |
| Loss on sale of marketable securities | | **-** | - | **-** | (153,326) |
| Interest income | | **-** | 2,762 | **-** | 7,946 |
| Operator fee income | **5** | **-** | 491 | **-** | 4,085 |
| Technology research | **8,9** | **(39,100)** | (3,267) | **(88,738)** | (170,999) |
| **Loss for the period** | | **(396,917)** | (241,203) | **(645,680)** | (916,136) |
| **Other comprehensive loss for the period** | | | | | |
| Unrealized loss on marketable securities | | **-** | - | **-** | (38,303) |
| Realized loss on marketable securities | | **-** | - | **-** | 153,326 |
| **Comprehensive loss for the period** | | **(396,917)** | (241,203) | **(645,680)** | (801,113) |
| **Basic and diluted loss per share** | | **(0.01)** | (0.01) | **(0.01)** | (0.02) |
| **Weighted average number of common shares outstanding** | | **72,771,381** | 47,206,664 | **63,365,585** | 47,063,275 |

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

**SEARCH MINERALS INC.**
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended May 31, 2013 and 2012
(Unaudited – expressed in Canadian dollars)

| | **2013** **$** | 2012 $ |
|---|---|---|
| **Cash (used in) provided by** | | |
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | **(645,680)** | (916,136) |
| Items not affecting cash: | | |
| Amortization | **24,632** | 39,294 |
| Loss on sale of marketable securities | **-** | 153,326 |
| Share-based payments | **96,183** | 27,912 |
| | **(524,865)** | (695,604) |
| Changes in non-cash working capital items: | | |
| HST recoverable | **51,430** | (279,065) |
| Other assets | **15,403** | 27,163 |
| Accounts payable and accrued liabilities | **(7,021)** | (30,997) |
| | **(465,053)** | (978,503) |
| **INVESTING ACTIVITIES** | | |
| Mineral property costs, net | **(822,013)** | (3,388,909) |
| Other receivables | **6,179** | 588,561 |
| Proceeds from sale of marketable securities | **-** | 367,197 |
| Purchase of equipment | **-** | (2,029) |
| Staking costs, net of recoveries | **(1,350)** | 136,369 |
| | **(817,184)** | (2,298,811) |
| **FINANCING ACTIVITIES** | | |
| Issuance of common shares | **1,187,439** | 30,000 |
| | **1,187,439** | 30,000 |
| Decrease in cash and cash equivalents during the period | **(94,798)** | (3,247,314) |
| Cash and cash equivalents, beginning of the period | **422,173** | 3,547,916 |
| Cash and cash equivalents, end of the period | **327,375** | 300,602 |
| Cash and cash equivalents are comprised of: | | |
| Cash | **327,375** | 298,013 |
| Cash equivalents | **-** | 2,589 |
| Cash paid for interest | **-** | - |
| Cash paid for income taxes | **-** | - |

Non-cash Transactions (Note 11)

**SEARCH MINERALS INC.**
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six months ended May 31, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

| | Number of Shares # | Share Capital $ | Warrants $ | Contributed Surplus $ | AOCI $ | Deficit $ | Total Shareholders' Equity $ |
|---|---|---|---|---|---|---|---|
| Balance, November 30, 2011 | 46,686,772 | 16,539,085 | 166,208 | 1,659,276 | (115,023) | (4,186,446) | 14,063,100 |
| Pursuant to mineral property agreements | 350,000 | 82,000 | - | - | - | - | 82,000 |
| Pursuant to options exercises | 200,000 | 30,000 | - | - | - | - | 30,000 |
| Transfer on exercise of options | - | 18,200 | - | (18,200) | - | - | - |
| Transfer on expiry of warrants | - | - | (12,100) | 12,100 | - | - | - |
| Share-based payments | - | - | - | 27,912 | - | - | 27,912 |
| Comprehensive loss for the period | - | - | - | - | 115,023 | (916,136) | (801,113) |
| Balance, May 31, 2012 | 47,236,772 | 16,669,285 | 154,108 | 1,681,088 | - | (5,102,582) | 13,401,899 |
| Balance, November 30, 2012 | 53,568,772 | 17,485,844 | 423,171 | 1,789,354 | - | (11,101,024) | 8,597,345 |
| For cash pursuant to private placement of units | 24,000,000 | 1,080,000 | 120,000 | - | - | - | 1,200,000 |
| Less: Issue costs – cash | - | (12,561) | - | - | - | - | (12,561) |
| Pursuant to mineral property agreements | 420,000 | 23,450 | - | - | - | - | 23,450 |
| Share-based payments | - | - | - | 96,183 | - | - | 96,183 |
| Comprehensive loss for the period | - | - | - | - | - | (645,680) | (645,680) |
| **Balance, May 31, 2013** | **77,988,772** | **18,576,733** | **543,171** | **1,885,537** | **-** | **(11,746,704)** | **9,258,737** |

## 1. Nature of Operations

Search Minerals Inc. (the "Company") was incorporated under the provisions of the Business Corporation Act (British Columbia) on June 7, 2006. On May 3, 2007, the Company commenced trading on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SMY.V". The Company currently operates two lines of business: mineral exploration and the research and development of the starved acid leaching technology ("SALT"). The mineral exploration business involves acquiring, exploring and evaluating mineral resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is complete. At May 31, 2013, the Company was in the exploration stage and had properties located in Canada. The Company's corporate head office is located at 155 University Avenue, Suite 1240, Toronto, Ontario 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.

## 2. Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At May 31, 2013, the Company had not yet achieved profitable operations, had a working capital of $290,092, had an accumulated deficit of $11,746,704 since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to develop the properties and to meet its ongoing levels of corporate overhead 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.

## 3. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended November 30, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended November 30, 2012.

These condensed interim consolidated financial statements were approved by the board of directors for issue on July 17, 2013.

## 4. 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.

(Unaudited - Expressed in Canadian dollars)

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

| | Total $ |
|---|---|
| Balance, November 30, 2011 | 288,350 |
| Additions | 24,330 |
| Recoveries | (193,953) |
| Write-down of staking deposits | (44,812) |
| Balance, November 30, 2012 | 73,915 |
| Additions | 1,350 |
| Balance, May 31, 2013 | 75,265 |

## 5. 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 4). 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 had to pay B and A an aggregate of $140,000. The final $50,000 payment was made in January 2013.

The Company had to also issue an aggregate 1,100,000 common shares of the Company. The Company issued 200,000 common shares on March 29, 2010 at the fair value of $80,000, 250,000 common shares on January 14, 2011 at the fair value of $180,000, 300,000 common shares on January 16, 2012 at the fair value of $69,000 and 350,000 common shares on January 14, 2013 at the fair value of $21,000. The Company now owns a 100% interest in the property.

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 48 claims located east of St. Lewis, Labrador.

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

- pay $10,000 (paid) and issue 30,000 common shares on or before February 25, 2011 (issued at the fair value of $13,500);
- pay $15,000 (paid) and issue 50,000 common shares on or before February 25, 2012 (issued at the fair value of $13,000);
- pay $20,000 (paid) and issue 70,000 common shares on or before February 25, 2013 (issued at the fair value of $2,450);
- 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, 2015 or, at the sole discretion of the Company, pay $100,000.

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

***Red Wine Property, Labrador***

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

GWG pays the Company a 5% to 10% operator fee, payable in cash. During the six months ended May 31, 2013, the Company recorded $nil of operator fee income (2012: $4,085).

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

At May 31, 2013, other receivables of $16,568 were comprised of mineral exploration expenditures incurred by the Company on behalf of GWG (November 30, 2012: $22,747).

***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.

In November 2012, Quest earned a 50% undivided interest in the Strange Lake Property after issuing an aggregate of 90,000 common shares of Quest to the Company and incurring an aggregate of $500,000 of mineral exploration expenditures. 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 ("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.

(Unaudited - Expressed in Canadian dollars)

## 6. Accounts Payable and Accrued Liabilities

| | **May 31, 2013 $** | November 30, 2012 $ |
|---|---|---|
| Trade payables | **87,901** | 468,499 |
| Due to related parties (Note 9) | **186,533** | 193,665 |
| Total accounts payable and accrued liabilities | **274,434** | 662,164 |

## 7. Share Capital

### a. Common shares authorized

Unlimited number of common shares

77,988,772 outstanding at May 31, 2013 (November 30, 2012: 53,568,772)

### b. Financings

During the six months ended May 31, 2013, the Company completed financings as follows:

i) On March 21, 2013, the Company completed a non-brokered private placement of 24,000,000 units at a price of $0.05 per unit for gross proceeds of $1,200,000. 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 $0.10 per common share up to March 22, 2014. A value of $120,000 has been attributed to the warrants using the residual method.

The Company incurred $12,561 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 six months ended May 31, 2013 and the year ended November 30, 2012 are as follows:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Life (Years) |
|---|---|---|---|
| Outstanding, November 30, 2011 | 4,575,000 | $0.45 | 3.76 |
| Granted | 1,485,000 | $0.21 | |
| Exercised | (550,000) | $0.12 | |
| Forfeited | (373,000) | $0.48 | |
| Outstanding, November 30, 2012 | 5,137,000 | $0.41 | 3.48 |
| Granted | 2,660,000 | $0.10 | |
| Forfeited | (336,500) | $0.46 | |
| Outstanding and exercisable, May 31, 2013 | 7,460,500 | $0.30 | 3.69 |

(Unaudited - Expressed in Canadian dollars)

At May 31, 2013, 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 |
|---|---|---|
| 713,000 | $0.40 | February 16, 2015 |
| 385,000 | $0.47 | June 22, 2015 |
| 252,500 | $0.55 | November 8, 2015 |
| 875,000 | $0.60 | February 25, 2016 |
| 955,000 | $0.485 | March 31, 2016 |
| 150,000 | $0.48 | April 7, 2016 |
| 155,000 | $0.26 | January 19, 2017 |
| 1,315,000 | $0.20 | October 17, 2017 |
| 2,660,000 | $0.10 | April 26, 2018 |
| 7,460,500 | | |

During the six months ended May 31, 2013, the Company recorded share-based payment expense of $96,183 (2012: $27,912). The weighted average fair value of share purchase options granted during the six months ended May 31, 2013 of $0.04 (2012: $0.18) per option was estimated using the Black-Scholes option pricing model with the following assumptions:

| | 2013 | 2012 |
|---|---|---|
| Risk-free interest rate | 1.63% | 1.85% |
| Expected life | 4.0 years | 4.0 years |
| Expected volatility | 99% | 107% |
| Expected dividends | Nil | Nil |

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

**d. Warrants**

Changes in share purchase warrants during the six months ended May 31, 2013 and the year ended November 30, 2012 are as follows:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Life (Years) |
|---|---|---|---|
| Balance, November 30, 2011 | 23,286,220 | $0.73 | 1.94 |
| Issued | 5,932,000 | $0.20 | |
| Expired | (4,564,000) | $0.87 | |
| Balance, November 30, 2012 | 24,654,220 | $0.66 | 1.33 |
| Issued | 24,000,000 | $0.10 | |
| Balance, May 31, 2013 | 48,654,220 | $0.42 | 0.82 |

At May 31, 2013, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

| Number | Exercise Price | Expiry Date |
|---|---|---|
| 1,222,222 | $0.90 | January 6, 2014 |
| 13,611,112 | $0.90 | February 25, 2014 |
| 3,888,886 | $0.90 | March 7, 2014 |
| 24,000,000 | $0.10 | March 22, 2014 |
| 1,400,000 | $0.20 | April 16, 2014 |
| 4,000,000 | $0.20 | August 8, 2014 |
| 532,000 | $0.20 | August 22, 2014 |
| 48,654,220 | | |

## 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 Saprolite Leaching; and,
- Nickel and Cobalt Recovery from Caron Plant Tailings.

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

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

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

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

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

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

During the six months ended May 31, 2013, the Company incurred technology research expenses of $88,738 (2012: $170,999).

(Unaudited - Expressed in Canadian dollars)

## 9. Related Party Transactions

During the three and six months ended May 31, 2013 and 2012, 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:

| | For the three months ended May 31 | | For the six months ended May 31, | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$** | $ | **$** | $ |
| Administration and management fees | **80,331** | 50,000 | **130,331** | 100,000 |
| Consulting fees | **-** | 19,500 | **-** | 41,000 |
| Non-executive directors fees | **19,500** | 9,000 | **42,000** | 18,000 |
| Technology research | **51,667** | 22,500 | **74,167** | 122,010 |
| Mineral property expenditures | | | | |
| Geological consulting | **50,000** | 50,000 | **100,000** | 122,917 |
| | **201,498** | 151,000 | **346,498** | 403,927 |

At May 31, 2013, accounts payable and accrued liabilities included $186,533 (November 30, 2012: $193,665) 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, 2013 and 2012 is identical to the table above other than share-based payments expense. During the six months ended May 31, 2013, key management received share-based payments of $68,702 (2012: $13,506).

## 10. Financial Instruments

***Designation of Financial Instruments***

The Company's financial instruments consist of cash and cash equivalents, other receivable, 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. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

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. 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. The Company is pursuing various forms of financing and cost sharing including possible joint ventures and government grants. The Company had working capital as follows:

| | **May 31, 2013 $** | November 30, 2012 $ |
|---|---|---|
| Current assets | **564,526** | 732,336 |
| Current liabilities | **(274,434)** | (662,164) |
| Working capital | **290,092** | 70,172 |

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, 2013 and November 30, 2012, 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.

**11. Non-cash Transactions**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the six months ended May 31, 2013 the following transactions were excluded from the statement of cash flows:

a) deferred exploration expenditures of $59,353 included in accounts payable and accrued liabilities at May 31, 2013, less expenditures included in accounts payable at November 30, 2012 of $440,062 (net inclusion of $380,709); and,

b) the issuance by the Company of 420,000 shares at the fair value of $23,450 pursuant to mineral property agreements.

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

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

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

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

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

**Search Minerals Inc.**
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the six months ended May 31, 2013
(Unaudited - Expressed in Canadian Dollars)

| | **Port Hope Simpson REE District, Labrador $** | **Red Wine, Labrador $** | **Other, Newfoundland and Labrador $** | **Total $** |
|---|---|---|---|---|
| Balance, November 30, 2012 | 7,129,959 | 1,138,059 | - | 8,268,018 |
| Acquisition costs | | | | |
| Cash | 70,000 | - | - | 70,000 |
| Shares | 23,450 | - | - | 23,450 |
| | 93,450 | - | - | 93,450 |
| Deferred exploration costs | | | | |
| Assays | 67,623 | 163 | - | 67,786 |
| Camp | 39,898 | - | - | 38,898 |
| Engineering and metallurgy | 100,706 | - | - | 100,706 |
| Geological consulting (Note 9) | 100,000 | - | - | 100,000 |
| Geotechnical surveys | 6,530 | 447 | 650 | 7,627 |
| Geotechnical reports | 12,825 | - | - | 12,825 |
| Other | 42,462 | - | - | 42,462 |
| | 370,044 | 610 | 650 | 371,304 |
| **Balance, May 31, 2013** | **7,593,453** | **1,138,669** | **650** | **8,732,772** |