



Management's Discussion and Analysis ("MD&A")
for the Year Ended November 30, 2015

The following information, prepared as of March 22, 2016, should be read in conjunction with the consolidated financial statements of Search Minerals Inc. (the "Company" or "Search") for the year ended November 30, 2015. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of drill results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note the following:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of March 22, 2016.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, possible variations in mineral resources, labour disputes, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

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

GENERAL

The Company was incorporated on June 7, 2006 under the *Business Corporations Act* of British Columbia and the Company is trading on the TSX Venture Exchange under the symbol "SMY.V."

The Company is focused on creating value through finding and developing "critical rare earth element ("CREE")" mineral assets in Labrador. CREEs (Nd, Pr, Eu, Tb, Dy, Y) and strategic metals have growing demand, constrained or restricted supply and are commonly used in innovative technologies.

Search is the discoverer of the Port Hope Simpson CREE District, a highly prospective CREE belt located in southeast Labrador, where the Company controls a belt 70 km long and up to 8 km wide. Search owns 100% of the advanced CREE resource called the Foxtrot Project ("Foxtrot"), and a recently announced Foxtrot-like prospect called "Deepwater Fox". In addition, the Company has identified more than 20 other Foxtrot-like prospects in the District. The primary focus of Search is to continue to advance the Foxtrot resource, while evaluating other Foxtrot-like prospects. Several of the Foxtrot-like prospects require exploration drilling programs and may provide additional resources to a central processing facility that would be situated within the District.

In addition, Search holds a number of other CREE mineral prospects in Labrador in its portfolio, including claims in the Red Wine Complex and in the Henley Harbour area.

OVERALL PERFORMANCE

The Company continues to enhance shareholder value and advance the mineral properties. Management has been diligent in reducing overhead, dealing with creditors, funding and advancing the projects and working to provide a stronger balance sheet. The Board and Management has worked hard during the year and the results are evident in the financial statements, but more work is still required.

On November 19, 2014, the Company announced that a bulk sample of the Foxtrot Project resource was extracted for the purpose of running a pilot plant and for additional testing. The 40 tonne bulk sample will be used to continue testing of the new metallurgical process. Additional details of the metallurgical testing were disclosed in news releases dated February 2, 2015 and February 25, 2015.

On January 27, 2015, the Company announced channel sample assay results from the Deepwater Fox REE Prospect located in the Port Hope Simpson REE District. Initial assay results and currently known strike length exceed those of the nearby Foxtrot Deposit. Refer to the news release for details.

On March 13, 2015, the Company announced the discovery of three belts of critical REE mineralization in the Henley Harbour area. This is the second critical REE district that Search has discovered in Labrador, the other being the Port Hope Simpson REE District. Refer to the news release for details.

On May 20, 2015, the Company received \$100,000 from InCoR Technologies Limited ("InCoR") pursuant to the sale of the Starved Acid Leaching Technology ("SALT"). The \$100,000 was payable 18 months after the date of the InCoR purchase agreement.

On June 16, 2015, the Company announced that it received the independent engineering study from SNC-Lavalin Australia Pty Ltd. The Study reports the estimated construction and operating costs for a REE treatment facility in SE Labrador, which would apply Search's proprietary process for treatment of REE mineralization from the Company's Foxtrot Deposit. The Study was partially funded by a \$50,000 grant from the Atlantic Canada Opportunities Agency. The proprietary process is a direct leach on the crushed material, which thereby eliminates grinding, flotation, gravity and magnetic separation.

On June 28, 2015, the Company purchased from Great Western Minerals Group Ltd. ("GWMG") its interest in the Red Wine Property for \$20,000. GWMG had acquired its approximate 50% interest in the Red Wine Property pursuant to an option agreement between the Company and GWMG dated July 23, 2010. Following the acquisition, the Company now owns 100% of the Red Wine Property.

On July 24, 2015, the Company announced that it has been named as a defendant in a lawsuit commenced in the Ontario Superior Court of Justice by two former officers of the Company, Stephen Keith and Alexandre Penha, in relation to an alleged defamatory news release issued by the Company in 2014 and the payment of compensation and expenses. The Company believes that it has meritorious defences and set-offs to the claims and intends to vigorously defend the action. On March 1, 2016, the Company filed a counterclaim.

On July 29, 2015, the Company provided a corporate update. The summer exploration crew, consisting of three geologists and five local support staff, has been focusing on maintenance work on licenses in the Port Hope Simpson CREE District and a channeling program on the Company's new Deepwater Fox REE Prospect. The Company was also in the process of moving the exploration office to a larger facility in St. Lewis, which will house the exploration team, facilitate the core analysis and separation operation, and provide space to maintain all of the company's core samples, including that from the Red Wine Property. The consolidation of offices and core shacks will have immediate cost savings for the Company allied with other efficiencies. The exploration office is located closer to the Foxtrot Project and Deepwater Fox REE Prospect, which will reduce travel time and the associated costs getting to the worksites.

On August 18, 2015, the Company announced that it has closed the second and final tranche of a private placement. The first and second tranches of the private placement raised gross proceeds of \$669,200 by issuing 11,153,334 units at a price of \$0.06 per unit. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per common share up to August 17, 2017.

On September 17, 2015, the Company announced that it sold its 50% ownership interest in the 30 mining claims comprising the Strange Lake Property to Quest Rare Minerals Ltd. ("Quest"). Quest already held a 50% ownership therein, and is now the sole owner of the Strange Lake Property. Quest will issue to Search 1,500,000 common shares of Quest (received) in consideration for the acquisition. On September 16, 2015, the Quest common shares had a fair value of \$0.10 per share.

On September 30, 2015, the Company announced that Search and InCoR Technologies Limited have amended the Purchase Agreement dated November 13, 2013. On November 13, 2013, the Company entered into a Purchase Agreement with InCoR whereby InCoR agreed to purchase the intellectual property rights to SALT. The amendment will have InCoR provide the Company with a payment of \$650,000 which will fully satisfy and discharge InCoR from any further obligation under the Purchase Agreement. The payment schedule will consist of \$250,000 at closing (received), \$200,000 on December 31, 2015 (received) and \$200,000 on February 28, 2016 (received).

Concurrent with this transaction, InCoR subscribed for 5,000,000 units of the Company at a price of \$0.07 per unit for gross proceeds of \$350,000 (received). Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common of the Company at a price of \$0.10 per common share up to October 29, 2017.

On October 15, 2015, the Company announced the assay results from the 2015 channel sampling program at Deepwater Fox. Refer to the news release for details.

On October 20, 2015, Greg Andrews was appointed as CEO of the Company. He will also continue to hold his current position as President.

On November 5, 2015, the Company announced that it will receive research and development funding totaling \$1,250,000 from the Research & Development Corporation Newfoundland and Labrador ("RDC") and from the Atlantic Canada Opportunities Agency "ACOA") to assist in the construction and operation of a pilot plant for the testing of Search's metallurgical process (the "Pilot Plant Project"). Search will receive \$750,000 towards the project from RDC and will receive a \$500,000 conditionally repayable contribution from ACOA. The Company will contribute an additional \$650,000. The total Pilot Plant Project cost is estimated at approximately \$1,900,000.

On December 18, 2015, the Company issued 667,143 common shares to settle \$80,866 of accounts payable and accrued liabilities.

On February 16, 2016, the Company announced the results of an updated Preliminary Economic Assessment (“PEA”) on its Foxtrot Project. The PEA evaluates an open pit-underground scenario with lower capital costs, a lower mining rate and higher grade processing facility feed. The revised PEA was prepared by Roscoe Postle Associates Inc. (“RPA”). It reconfirms the Foxtrot Project has robust economics and the potential to become a profitable producer of REE. Refer to the news release for highlights as well as the mineral properties section below.

OUTLOOK

Search continues to maintain and evaluate its REE properties in the Port Hope Simpson REE District, which include the Deepwater Fox Prospect and the Company’s flagship property, the Foxtrot Project. The primary focus of Search is to continue to advance the Foxtrot resource, while evaluating other Foxtrot-like prospects. Several of the Foxtrot-like prospects require exploration drilling programs and may provide additional resources to feed a central processing facility that would be situated within the District.

The Company received funding approval from Atlantic Canada Opportunity Agency (“ACOA”) and Research Development Corporation of Newfoundland and Labrador (“RDC”) for up to \$ 1,250,000 towards a budgeted pilot plant cost of \$1,900,000. The expected completion date for this project is September 2016. The goal of the pilot plant is to:

- 1) Optimize the process
- 2) Demonstrate on a larger scale
- 3) Test new equipment
- 4) Produce product for refinery evaluation
- 5) Generate engineering design data for a feasibility study

Search completed an updated Preliminary Economic Assessment (“PEA”) which provided an initial capital cost of \$152M, with \$33M contingency, with after-tax IRR of 16.7% and after-tax payback of 4.4 years.

This PEA evaluates an open pit-underground scenario with lower capital costs, a lower mining rate and higher grade processing facility feed. The revised PEA was prepared by Roscoe Postle Associates Inc. (“RPA”) and the results are being disclosed in accordance with National Instrument 43-101 (“NI 43-101”). It reconfirms that the Foxtrot Project has robust economics and the potential to become a profitable producer of Rare Earth Elements (“REE”), particularly Dy, Nd, Pr and Tb. The PEA’s objective was to incorporate the Mineral Processing Engineering Study (“Study”) prepared by SNC-Lavalin for the Company in June 2015.

The Study reports the estimated construction and operating costs for a REE mineralization treatment facility in SE Labrador which applies Search’s proprietary process for treatment of REE mineralization from the Company’s Foxtrot Deposit. The proprietary process is a direct leach on crushed material, thereby eliminating grinding, flotation, gravity and magnetic separation, and as a result produces waste which is a dry stackable inert residue, thereby eliminating the need for wet tailing ponds. Search has been able to reduce the initial capital costs as a smaller, yet profitable, scale operation. Management continues to review advancement in separation technology which could provide the same or lower separation pricing as existing proven solvent extraction pricing.

The Company continues to seek out potential strategic and off-take partners to continue to advance the Foxtrot Project and other potential prospects in the District.

The Company plans to initiate an Environmental Baseline study to commence in the near-term. The Deepwater Fox channel results are very encouraging and warrant further work, however, this will be dependent on further financing on favourable terms.

MINERAL PROPERTIES

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

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.

Port Hope Simpson REE District, Labrador

Search is the discoverer of the Port Hope Simpson CREE District, a highly prospective CREE belt located in southeast Labrador, where the Company controls a belt 70 km long and up to 8 km wide. Search owns 100% of the advanced CREE resource called the Foxtrot Project, and a recently announced Foxtrot-like prospect called "Deepwater Fox". In addition, the Company has identified more than 20 other Foxtrot-like prospects in the District. The primary focus of Search is to continue to advance the Foxtrot resource, while evaluating other Foxtrot-like prospects. Several of the Foxtrot-like prospects require exploration drilling programs and may provide additional resources that would be situated within the District.

During the year ended November 30, 2014, the Company was testing a proprietary metallurgical process on the Foxtrot Project. The Company did not conduct other significant exploration activities. Other than metallurgy, the majority of the work performed on the properties was to maintain the properties in good standing with the Government of Newfoundland and Labrador and with the vendors of the Quinlan Property. During the year, the Company paid \$30,000 and issued 100,000 common shares at the fair value of \$5,500 to the vendors. On January 9, 2015, the Company made the final payment to the vendors of the Quinlan Property and acquired an undivided 100% interest in the Quinlan Property which includes the Deepwater Fox Prospect. The final payment was comprised of \$15,000 cash and 50,000 common shares of the Company.

On January 27, 2015, the Company announced the second major discovery, the Deepwater Fox Prospect (Foxtrot being the other), that occurs in the Fox Harbour Volcanic Belt (part of the Port Hope Simpson REE District). During the summer 2015 exploration season, the Company completed channel sampling at the Deepwater Fox Prospect to define the surface expression of the mineralization. The program consisted of a total of 15 channels and just over 1200 total assay samples. Experience gained at Foxtrot was applied to Deepwater Fox to expedite the development program in a cost effective manner. The Company also completed channeling at several other prospects in the belt. The aim of the program is to discover and outline several REE resources in the belt to support a centralized processing plant in SE Labrador. Ongoing metallurgical studies of the Foxtrot mineralization will be expanded to include the Deepwater Fox mineralization.

On October 15, 2015, the Company completed the 1200 assay channel sample program on the Deepwater Fox Prospect with very encouraging results. A couple of key highlights of the program were 1) high grade surface mineralization (11.25-30.42m) is wider than the surface expression of the Foxtrot Deposit (10-14m) and currently has a comparable strike length (approximately 380m). and b) assays include 11.40m containing the following Critical REE: 1168 ppm Y (1483 ppm Y₂O₃), 1732 ppm Nd (2020 ppm Nd₂O₃), 43 ppm Tb (51 ppm Tb₄O₇) and 253 ppm Dy (290 ppm Dy₂O₃), and 10.17m containing 1435 ppm Y (1822 ppm Y₂O₃), 2049 ppm Nd (2390 ppm Nd₂O₃), 44 ppm Tb (52 ppm Tb₄O₇) and 260 ppm Dy (298 ppm Dy₂O₃).

Metallurgy and Updated Preliminary Economic Assessment

On January 21, 2014, the Company announced that it will receive research and development investments totaling \$225,000 from the Research & Development Corporation ("RDC") and from the Atlantic Canada Opportunities Agency ("ACOA") to assist in the *Development of Innovative Technologies for the Recovery and Refining of Rare Earth Elements from Ore Mined in Labrador (the "Project")*. Search was to receive up to \$112,500 towards the project from each of RDC and ACOA and the Company will contribute an additional \$75,000. At November 30, 2015, the Company had received \$112,500 from RDC and \$105,308 from ACOA. The amounts received from RDC are non-repayable contributions while the amounts received from ACOA are repayable on success of the Port Hope Simpson REE District. The Project commenced in January 2014 and has now been completed.

The Project evaluated the effectiveness and compared the commercial feasibility of a variety of innovative metallurgical processes to separate and refine REE from mineralization with the specific characteristics of that

identified at the Company's Foxtrot Project. SGS Canada Inc. ("SGS") was engaged to perform testing on samples containing REE from the Company's Foxtrot Project. SGS has examined innovative methods to isolate REE from the specific rock matrix. The current separation process involves crushing and grinding, followed by gravity separation, flotation and magnetic separation to produce a concentrate containing the REE materials. The concentrate is then subjected to acid baking at 200 degrees Celsius, water leaching, purification of the leachate, and precipitation of REE oxalate. The process options investigated with SGS were designed to reduce complexity and cost of REE recovery from Foxtrot mineralization.

On July 23, 2014, the Company announced the development of a simplified metallurgical process tested on a sample from the Company's Foxtrot Project to produce a high grade rare earth elements product for refining. A patent application has been lodged with the United States Patent Office to protect the Company's ownership of this technology. This process is a significant improvement over the earlier Foxtrot work reported. The steps of grinding, flotation, gravity and magnetic separation to produce a concentrate are no longer required to process the Foxtrot mineralization. The coarse crushed ore is directly treated with small amounts of acid in a heated pug mill, a conventional mixing device, prior to water leaching.

On November 19, 2014, the Company announced that a bulk sample of the Foxtrot Project resource was extracted for the purpose of running a pilot plant and for additional testing. The 40 tonne bulk sample will be used to continue testing of the new metallurgical process. Additional details of the metallurgical testing were disclosed in news releases dated February 2, 2015 and February 25, 2015.

On June 16, 2015, the Company announced that it received the independent engineering study from SNC-Lavalin Australia Pty Ltd. The Study reports the estimated construction and operating costs for a REE treatment facility in SE Labrador, which would apply Search's proprietary process for treatment of REE mineralization from the Company's Foxtrot Deposit and was partially funded by a \$50,000 grant from the Atlantic Canada Opportunities Agency. The proprietary process is a direct leach on the crushed material (six mesh), which thereby eliminates grinding, flotation, gravity and magnetic separation and in addition it produces a dry residue thereby avoiding the need for a tailings pond. The study was used by Search in the preparation of an updated and revised Preliminary Economic Assessment for Search's Foxtrot Deposit. As at November 30, 2015, the Company had received the \$50,000 funding from ACOA.

On February 16, 2016, the Company announced the results of the updated Preliminary Economic Assessment ("PEA") on its Foxtrot Project. The PEA evaluates an open pit-underground scenario with lower capital costs, a lower mining rate and higher grade processing facility feed. The revised PEA was prepared by Roscoe Postle Associates Inc. ("RPA"). It reconfirms the Foxtrot Project has robust economics and the potential to become a profitable producer of REE. Highlights of the PEA include:

- \$152 million initial capital cost – includes \$33 million contingency
- \$57 million underground mining capital (Year 8)
- \$23 million sustaining and closure capital
- \$1.713 billion total net revenue
- Net Present Value (10%) discount rate of \$93 million pre-tax and \$48 million after-tax
- Internal rate of return of 22.2% pre-tax and 16.7% after-tax
- Payback period of 3.5 years pre-tax and 4.4 years after-tax
- Undiscounted cash flow of \$327 million pre-tax and \$226 million after tax
- Mine life: 14 years: 8 years open pit, 6 years underground

The Mineral Processing Engineering Study from SNC-Lavalin (June 2015) along with the updated Foxtrot Mineral Resource (December 2015) was the basis of the PEA to ensure Search's proprietary metallurgy process would lead to significant cost savings in capital and operating costs. Search has been able to reduce the initial capital costs as a smaller, yet profitable, scale operation. The Foxtrot project supports low initial capital costs, a good IRR, a short payback period, and is scalable. A feature of the Foxtrot deposit geology allows Search to commence mining in mineralized material for early cash flow. The Processing Facility for this PEA would be located at the proposed Foxtrot mine site, however, further development in the District may determine that an alternative location may be more beneficial. Advancement in separation technology continues which could provide the same or lower

separation pricing as existing proven solvent extraction pricing. The PEA outlines our current business model as Search continues to seek potential strategic and off take partners.

Henley Harbour Property, Labrador

The Henley Harbour district consists of three belts of Critical REE mineralization in the Bad Bay - St. Peter's Bay area of SE Labrador: Bad Bay - Iceberg, St. Peter's Bay and Pleasure Pond. Channel and grab samples from showings in these belts reveal high concentrations of REE, Nb, Zr and Y from the Bad Bay-Iceberg belt, and high concentrations of Zr, Nb, and HREE, including Dy and Y, from St. Peter's Bay and Pleasure Pond belts. Relative remoteness and small volumes of mineralization make this district a lower priority. The company owns 100% of these properties.

Strange Lake Property, Labrador

On September 16, 2015, the Company sold its 50% ownership interest in the 30 mining claims comprising the Company's Strange Lake Property to Quest Rare Minerals Ltd. ("Quest"). Quest already held a 50% ownership therein, and Quest is now the sole owner of the Strange Lake Property. Pursuant to the terms of the Purchase and Sale Agreement, Quest issued to the Company 1,500,000 common shares of Quest. The common shares will have hold periods preventing Search from selling the common shares for a period of four to twelve months. On September 16, 2015, the Quest common shares had a fair value of \$0.10 per share.

Red Wine Property, Labrador

On March 16, 2010, the Company entered into an option agreement (the "Letter Agreement") with Great Western Minerals Group Ltd. ("GWG") whereby GWG could acquire up to a 50% working interest in the Company's Red Wine property, located approximately 100km north-east of Churchill Falls, Labrador. Under the terms of the Letter Agreement, GWG paid an aggregate of \$225,000 and GWG issued an aggregate of 1,050,000 common shares to Search 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.

On June 28, 2015, the Company purchased from Great Western Minerals Group Ltd. ("GWMG") its interest in the Red Wine Property for \$20,000. GWMG had acquired its approximate 50% interest in the Red Wine Property pursuant to an option agreement between the Company and GWMG dated July 23, 2010. Following the acquisition, the Company now owns 100% of the Red Wine Property. Although the Company has written-down costs for accounting purposes, the Company still holds the Red Wine Property.

NunatuKavut Community Council

On August 27, 2012, as amended on November 13, 2014, the Company announced that it had signed a Mining Exploration Activities Agreement with the NunatuKavut Community Council (the "NunatuKavut"), the political representative body of the Inuit of South-Central Labrador. The agreement solidifies a relationship that has evolved through the Company's activity in and around NunatuKavut communities on the south coast. The agreement sets out a respectful way forward, meeting the interests of and ensuring mutual benefit for both parties. Key elements in the agreement address environmental protocols and safeguards for matters of historic values. The agreement also sets out hiring and business opportunities for NunatuKavut members and communities as well as certain financial considerations. During the year ended November 30, 2014, the Company issued 983,333 common shares at the fair value of \$37,333 to NunatuKavut and will make an annual good faith payment of a small cash stipend. In December 2015, the Company issued 407,143 common shares at the fair value of \$28,500 to NunatuKavut. The agreement will continue indefinitely unless and until one or both parties elect to terminate.

TECHNOLOGY RESEARCH

On November 13, 2013, the Company entered into a Purchase Agreement with InCoR Holdings Plc.'s ("InCoR") wholly-owned subsidiary, ICRT, whereby ICRT agreed to purchase the intellectual property rights to the Starved Acid Leaching Technology ("SALT").

Pursuant to the Purchase Agreement, ICRT purchased SALT for a total purchase price of \$2.2 million, comprised of the following:

- \$50,000 at closing (received);
- \$50,000 upon delivery of a positive economic scoping study (received in April 28, 2014);
- \$100,000 upon the earlier of the completion of a positive bankable feasibility study or 18 months from the date of the Purchase Agreement (received May 12, 2015); and,
- \$2,000,000 repayable from 25 percent of the net cash flow from a commercial application of SALT.

On September 30, 2015, the Company and InCoR amended the Purchase Agreement. The amendment will have InCoR provide the Company with a payment of \$650,000 which will fully satisfy and discharge InCoR from any further obligation under the Purchase Agreement. The payment schedule will consist of \$250,000 at closing (received), \$200,000 on December 31, 2015 (received) and \$200,000 on February 28, 2016 (received). InCoR has completed all terms and conditions set forth in the Purchase Agreement, and therefore Search will complete the closing documents to transfer all of the Search's right, title, interest, including all legal and beneficial interest in SALT, free and clear of all encumbrances.

Concurrent with this transaction, InCoR subscribed for 5,000,000 units of the Company at a price of \$0.07 per unit for gross proceeds of \$350,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to October 19, 2017.

SELECTED ANNUAL INFORMATION

The Company's fiscal years ends on November 30th of each year. The following is a summary of certain selected audited financial information for the last three completed fiscal years:

| | November 30, 2015 (\$) | November 30, 2014 (\$) | November 30, 2013 (\$) |
|---|---------------------------|---------------------------|---------------------------|
| Total Revenues | - | - | - |
| Income (Loss) | 300,968 | (1,373,551) | (2,824,234) |
| Income (Loss) per Share (basic and diluted) | 0.00 | (0.01) | (0.04) |
| Deferred Resource Property Exploration Expenditures | 637,279 | 615,608 | 792,492 |
| Total Assets | 10,213,175 | 9,342,465 | 8,296,470 |
| Total Liabilities | 951,356 | 1,596,250 | 948,131 |
| Dividends Declared | - | - | - |

The significant variability in loss is due partially to the write-down of mineral properties of \$28,033, \$31,883 and \$1,161,793 during the years ended November 30, 2015, 2014 and 2013, respectively. The income during the year ended November 30, 2015 was due to the Company recording a gain on sale of mineral property of \$150,000, a gain on debt settlement of \$444,102 and proceeds on sale of technology of \$750,000 offset by share-based compensation expense of \$245,174.

RESULTS OF OPERATIONS

The Company had income of \$300,968 (\$0.00 per share) for the year ended November 30, 2015 as compared to a loss of \$1,373,551 (\$0.01 per share) for the year ended November 30, 2014. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported loss to

produce an adjusted loss that forms a better basis for comparing the year over year operating results of the Company.

| | 2015 (\$) | 2014 (\$) |
|---|--------------|--------------|
| Income (loss) for the year as reported | 300,968 | (1,373,551) |
| Add (deduct): | | |
| Amortization | 19,049 | 32,919 |
| Share-based payments | 245,174 | - |
| Gain on sale of mineral property | (150,000) | - |
| Gain on debt settlement | (444,102) | (25,983) |
| Proceeds on sale of technology | (750,000) | (50,000) |
| Write-down of other receivables | - | 28,630 |
| Write-off of accounts payable and accrued liabilities | - | (250,964) |
| Write-down of mineral properties | 28,033 | 31,883 |
| Write-down of staking deposits | - | 74,475 |
| Adjusted loss for the year ⁽¹⁾ | (750,878) | (1,532,591) |

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

- Share-based payments expense for the year ended November 30, 2015 resulted from the Company granting 6,850,000 stock options at the fair value of \$0.04 per stock option.
- Gain on sale of mineral property of \$150,000 represents the value of Quest shares received from the sale of the Strange Lake Property.
- During 2015, the Company recorded a gain on debt settlement based on settling \$575,413 of liabilities relating to the MSFA transaction for less than the invoiced amount. During 2014, the Company recorded a gain on debt settlement as a result of issuing 1,732,412 common shares at the fair value of \$0.055 per share to settle \$121,250 of accounts payable and accrued liabilities.
- Proceeds on sale of technology is from the sale of SALT.
- On June 28, 2015, the Company purchased from Great Western Minerals Group Ltd. ("GWMG") its 50% interest in the Red Wine Property for \$20,000. Prior to this, the Company had a 50% interest in the Red Wine Property and GWMG had the remaining 50% interest. The Company acted as the operator on the Red Wine joint venture and the Company had incurred certain expenses to maintain the property. The Company had other receivables from GWMG of \$28,630 which were written-off during the year ended November 30, 2014
- The Company has contingent liabilities relating to the proposed acquisition of MSFA. As the Company believes that there is a less than probable likelihood that these liabilities are payable, the Company wrote-off the liabilities and has disclosed these liabilities in the consolidated financial statements as contingent liabilities.
- The write-down of mineral properties was due to writing-off the Red Wine Property.
- The staking deposits are forfeited if the company does not make sufficient exploration expenditures on the claims or the claims are dropped by the Company.

The decrease in the adjusted loss for the year ended November 30, 2015 compared to the year ended November 30, 2014 is the net result of a number of differences in various expenses as follows:

- Accounting and audit fees of \$72,854 (2014: \$109,530) are comprised of fees to maintain the accounting records and prepare financial reports as required. The decrease in fees was due to less activity during the current year.
- Administration expense and management fees of \$253,910 (2014: \$504,759) are comprised of fees paid to executive management of the company as well as administrative staff. The Company reduced activity in the current year.
- Consulting fees of \$90,429 (2014: \$279,819) includes consulting fees paid to the VP of Technology and other consultants. In the prior year, the Company incurred fees due to engaging KPMG LLP to conduct due diligence as part of a potential transaction.

- Legal fees of \$90,896 (2014: \$344,969) decreased as in the prior year, the Company incurred fees as part of a potential transaction.
- Regulatory and transfer agent fees of \$19,822 (2014: \$53,771) decreased as in the prior year, the Company incurred fees as part of a potential transaction.

Three months ended November 30, 2015 and 2014

| | 2015 (\$) | 2014 (\$) |
|---|--------------|--------------|
| Income (loss) for the period as reported | 512,695 | (62,781) |
| Add (deduct): | | |
| Amortization | 4,764 | 7,551 |
| Gain on sale of mineral property | (150,000) | - |
| Proceeds on sale of technology | (650,000) | - |
| Write-off of accounts payable and accrued liabilities | - | (250,964) |
| Write-down of mineral properties | 28,033 | 31,883 |
| Write-down of staking deposits | - | 74,475 |
| Adjusted loss for the period ⁽¹⁾ | (254,508) | (199,836) |

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

The increase in the adjusted loss for the three months ended November 30, 2015 as compared to the three month ended November 30, 2014 was due primarily to an increase in legal fees of \$51,603 resulting from the lawsuit brought against the Company in July 2015.

QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended November 30, 2015.

| | Three Months Ended (\$) | | | |
|--|-------------------------|--------------|--------------|--------------|
| | Nov 30, 2015 | Aug 31, 2015 | May 31, 2015 | Feb 28, 2015 |
| Total Revenues | - | - | - | - |
| Income (Loss) | 512,695 | (424,859) | 380,865 | (167,733) |
| Income (Loss) Per Share (basic and diluted) ⁽¹⁾ | 0.00 | (0.00) | 0.00 | (0.00) |
| Total Assets | 10,213,175 | 9,469,649 | 8,937,870 | 9,092,199 |
| Total Liabilities | 951,356 | 1,022,800 | 976,273 | 1,511,467 |
| Shareholders' Equity | 9,261,819 | 8,446,849 | 7,961,597 | 7,580,732 |

| | Three Months Ended (\$) | | | |
|---|-------------------------|--------------|--------------|--------------|
| | Nov 30, 2014 | Aug 31, 2014 | May 31, 2014 | Feb 28, 2014 |
| Total Revenues | - | - | - | - |
| Loss | (62,781) | (282,393) | (516,928) | (511,449) |
| Loss Per Share (basic and diluted) ⁽¹⁾ | (0.00) | (0.00) | (0.01) | (0.01) |
| Total Assets | 9,342,465 | 8,994,998 | 8,446,237 | 8,463,871 |
| Total Liabilities | 1,596,250 | 2,031,424 | 1,678,148 | 1,178,854 |
| Shareholders' Equity | 7,746,215 | 6,963,574 | 6,768,089 | 7,285,017 |

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

The income recorded for the three months ended November 30, 2015 was from a \$150,000 gain on the sale of Red Wine Property and a \$650,000 gain from the sale of SALT. The increase in the loss recorded during the three months ended August 31, 2015 was due to the recording \$245,174 of share-based payments expense. The income recorded

for the three months ended May 31, 2015 was due to the gain on settlement of debts of \$444,102 and a \$100,000 gain from the sale of SALT.

FINANCING ACTIVITIES

During the year ended November 30, 2015, the Company completed financings as follows:

- i) On July 28, 2015, the Company completed a non-brokered private placement of 7,950,000 units at a price of \$0.06 per unit for gross proceeds of \$477,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to July 28, 2017.
- ii) On August 17, 2015, the Company completed a non-brokered private placement of 3,203,334 units at a price of \$0.06 per unit for gross proceeds of \$192,200. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to August 17, 2017.
- iii) On October 19, 2015, the Company completed a non-brokered private placement of 5,000,000 units at a price of \$0.07 per unit for gross proceeds of \$350,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to October 19, 2017.

The Company incurred \$6,988 of fees in connection with the private placements.

The Company is using the proceeds from financings to (1) initiate a channel sampling work program at the new Deepwater Fox Prospect; (2) prepare an updated Preliminary Economic Assessment report using the information contained in the recent engineering study; (3) maintain the rare earth properties in the Port Hope Simpson REE District; and (4) for general working capital.

During the year ended November 30, 2014, the Company completed financings as follows:

- i) On December 16, 2013, the Company completed the first tranche of a non-brokered private placement of 5,211,082 units at a price of \$0.07 per unit for gross proceeds of \$364,776. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to December 16, 2015. A value of \$78,166 has been attributed to the warrants using the residual method. At November 30, 2013, the Company had received \$264,676 of the gross proceeds.
- ii) On February 10, 2014, the Company completed the second tranche a non-brokered private placement of 3,695,382 units at a price of \$0.07 per unit for gross proceeds of \$258,677. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to February 10, 2016. A value of \$55,431 has been attributed to the warrants using the residual method.
- iii) On August 27, 2014, the Company completed a non-brokered private placement of 8,300,000 units at a price of \$0.05 per unit for gross proceeds of \$415,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to August 27, 2016. A value of \$nil has been attributed to the warrants using the residual method.
- iv) On September 8, 2014, the Company completed a non-brokered private placement of 5,960,000 units at a price of \$0.05 per unit for gross proceeds of \$298,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to September 8, 2016. A value of \$nil has been attributed to the warrants using the residual method.

- v) On October 9, 2014, the Company completed a non-brokered private placement of 11,700,000 units at a price of \$0.05 per unit for gross proceeds of \$585,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to October 9, 2016. A value of \$nil has been attributed to the warrants using the residual method.

The Company incurred \$23,450 of legal fees and other fees in connection with the private placements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed \$272,308 of cash for the year ended November 30, 2015 (2014: \$760,982) with an additional \$1,064,068 (2014: \$495,111) utilized on mineral property acquisition costs, deferred exploration expenditures and staking costs. The cash requirement for the year ended November 30, 2015 was fulfilled from cash on hand at the beginning of the year and from completing private placements issuing an aggregate of 16,153,334 common shares for gross proceeds of \$1,019,200.

Subsequent to November 30, 2015, the Company sold 354,500 common shares of the 1,500,000 common shares received from Quest for the sale of the Strange Lake properties. The sale of the common shares was for gross proceeds of \$34,159.

The Company's aggregate operating, investing and financing activities during the year ended November 30, 2015 resulted in a net decrease in its cash balance from \$594,121 at November 30, 2014 to \$406,852 at November 30, 2015. The Company's working capital increased by \$930,847 correspondingly during the year and stood at \$83,993 at November 30, 2015. The Company has accumulated losses since inception of \$14,997,841. During the year ended November 30, 2015, the Company settled \$574,413 of liabilities relating to a potential tin transaction and recorded a gain of \$444,102.

On September 30, 2015, the Company amended the Purchase Agreement with InCoR relating to the sale of SALT. The Company received \$250,000 at closing and received \$200,000 in January 2016 and a further \$200,000 in March 2016. Concurrent with this transaction, InCoR also subscribed for 5,000,000 units of the Company at a price of \$0.07 per unit for gross proceeds of \$350,000. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.10 per common share up to October 19, 2017.

The Company does not have any commitments for material capital expenditures over the near term or long term other than a \$10,000 annual payment to the vendors of the Quinlan Property commencing February 23, 2016.

The Company has not put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. Since the Company will likely not have cash flows from operations over the next year, it will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

GOING CONCERN

The 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 foreseeable future. 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.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

At November 30, 2015, the Company had not yet achieved profitable operations, had an accumulated deficit of \$14,997,841 since inception and expects to incur further losses in the development of its business. Management is in the process of obtaining additional financial resources and believes sufficient resources will be available as required. 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. The above factors 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.

TRANSACTIONS WITH RELATED PARTIES

During the years ended November 30, 2015 and 2014, 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:

| | 2015 \$ | 2014 \$ |
|--|----------------|----------------|
| Administration and management fees ⁽¹⁾ | 246,667 | 375,000 |
| Consulting fees ⁽²⁾ | 90,000 | 96,250 |
| Non-executive directors fees | 54,000 | 67,500 |
| Mineral property expenditures | | |
| Geological consulting, salaries, wages and benefits ⁽³⁾ | 129,996 | 182,500 |
| Rent | 5,000 | - |
| | 525,663 | 721,250 |

⁽¹⁾ Includes salary earned by the former CEO, Stephen Keith, salary earned by the former VP of Corporate Development, Alexandre Penha, fees billed by the former CEO, Jim Clucas, and fees billed by the current CEO, Greg Andrews. The business purpose of the transactions was to compensate the individuals for administration and management services provided. The Company has consulting agreements with Jim Clucas and Greg Andrews that include termination clauses and a change of control provisions calling for lump sum payments.

⁽²⁾ Includes fees billed by the VP of Technology, Dr. David Dreisinger. The business purpose of the transactions was to compensate Dr. David Dreisinger for assisting with metallurgical work relating to the Company's REE properties. The Company has a consulting agreement with Dr. David Dreisinger. The agreement includes a termination clause and a change of control provision calling for lump sum payments.

⁽³⁾ Includes fees billed by the VP of Exploration, Dr. Randy Miller. The business purpose of the transactions was to compensate Dr. Randy Miller for managing the mineral properties.

At November 30, 2015, accounts payable and accrued liabilities included \$379,182 (2014: \$344,406) of amounts owing to current 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. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

At November 30, 2015, accounts payable and accrued liabilities included \$371,430 (2014: \$371,430) due to former directors.

Key management includes the CEO, the VP of Exploration and the directors of the Company. The compensation paid or payable to key management for services during the year ended November 30, 2015 and 2014 is represented in the table above. During the year ended November 30, 2015, key management received share-based payments of \$227,278. The compensation paid or payable was for short-term benefits.

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 share capital, contributed surplus 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, issuing new debt, or acquiring or disposing of assets, and by controlling 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, 2015. At November 30, 2015 and 2014, the Company was not subject to any externally imposed capital requirements.

Designation of Financial Instruments

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

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 is 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. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. Refer to the going concern note for additional disclosure. As at November 30, 2015 and November 30, 2014, the Company had working capital (deficiency) as follows:

| | 2015 | 2014 |
|---------------------|------------------|-------------|
| | \$ | \$ |
| Current assets | 1,035,349 | 749,396 |
| Current liabilities | (951,356) | (1,596,250) |
| Working capital | 83,993 | (846,854) |

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 November 30, 2015 and 2014, all of the Company's cash was 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. The Company has had nominal amounts of payables in US dollars.

b) Interest Rate Risk

The Company has no interest bearing financial instruments and as such, the Company is not exposed to interest rate risk.

c) Price Risk

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

OUTSTANDING SHARE CAPITAL

Authorized: Unlimited number of common shares

Issued and outstanding: 132,491,188 common shares as at March 22, 2016.

Options and warrants outstanding as at March 22, 2016:

| Security | Number | Exercise Price | Expiry Date |
|---------------|------------|----------------|------------------|
| Stock Options | 760,000 | \$0.485 | March 31, 2016 |
| Stock Options | 150,000 | \$0.480 | April 7, 2016 |
| Stock Options | 145,000 | \$0.260 | January 19, 2017 |
| Stock Options | 690,000 | \$0.200 | October 17, 2017 |
| Stock Options | 1,425,000 | \$0.100 | April 26, 2018 |
| Stock Options | 100,000 | \$0.070 | October 29, 2018 |
| Stock Options | 6,850,000 | \$0.100 | June 30, 2020 |
| TOTAL | 10,120,000 | | |

| Security | Number | Exercise Price | Expiry Date |
|-------------------------|------------|----------------|-------------------|
| Share Purchase Warrants | 4,000,000 | \$0.200 | August 8, 2016 |
| Share Purchase Warrants | 532,000 | \$0.200 | August 22, 2016 |
| Share Purchase Warrants | 8,300,000 | \$0.100 | August 27, 2016 |
| Share Purchase Warrants | 5,960,000 | \$0.100 | September 8, 2016 |
| Share Purchase Warrants | 11,700,000 | \$0.100 | October 9, 2016 |
| Share Purchase Warrants | 7,950,000 | \$0.100 | July 28, 2017 |
| Share Purchase Warrants | 3,203,328 | \$0.100 | August 17, 2017 |
| Share Purchase Warrants | 5,000,000 | \$0.100 | October 19, 2017 |
| TOTAL | 46,645,328 | | |

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended November 30, 2015 and this accompanying MD&A (together, the "Annual Filings").

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the solution of any particular legal proceeding will not have a material adverse effect on the Company's financial position or results of operations.

All of the Company's mineral properties are in the exploration stage. Exploration and development of natural resources involve substantial expenditures and a high degree of risk. Few properties which are explored are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes off its mineral properties from time to time, and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

OTHER INFORMATION

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