

SHEAR MINERALS LTD. (“Shear” or the “Company”)

MANAGEMENT DISCUSSION AND ANALYSIS

Three Months Ended February 28, 2005

Note to Reader

This management discussion and analysis (“MD&A”) supplements, but does not form part of, the unaudited interim consolidated financial statements and notes for the three months ended February 28, 2005. The following information, prepared as of April 20, 2005, should be read in conjunction with those statements, which have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). All amounts have been expressed in Canadian dollars unless otherwise indicated. Additional information related to the Company can be found on SEDAR at www.sedar.com.

Forward-Looking Information

The following MD&A is management’s assessment of the Company’s operations and financial results, together with future prospects. Certain statements contained in the following MD&A are considered forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the performance and actual results of the Company to be materially different from any future results expressed or implied.

Overall Performance and Results of Operations

Shear Minerals Ltd. (“the Company”) is an active junior mineral resource exploration company that has property interests in North America with diamond and/or gold potential. The Company is concentrating on exploring its diamond properties, which are located in the Northwest and Nunavut Territories and Alaska. These mineral-rich regions are favourable investment climates in that they are economically proactive, politically stable and committed to infrastructure development. The Company’s gold properties are currently being re-evaluated given the recent appreciation of the gold market and current activity on other exploration properties in the area.

In the three months ended February 28, 2005, the Company conducted exploration programs in Nunavut and the Northwest Territories. Exploration resources were concentrated on the Churchill Diamond Project in Nunavut. In the three months ended February 28, 2005, approximately 94% of the Company’s exploration budget was spent on the Churchill Diamond Project.

Churchill Diamond Project

The 8.5 million acre Churchill Diamond Project, located near the community of Rankin Inlet in the Kivalliq region of Nunavut is a new and expanding kimberlite district which Shear and its partners discovered in 2003. To date, a total of 24 kimberlites (2 on the Churchill West Diamond Property) have been discovered. Shear has a 51% interest in the project and is operator. Stornoway Diamond Corp. and BHP Billiton Diamonds Inc. have 35% and 14% interests respectively. The property is subject to a 2.0% gross overriding royalty and net smelter royalty in favour of the Hunter Exploration Group (“Hunter”) with respect to the commercial production of diamonds. Hunter currently holds the non diamond rights to the Property although Shear and Stornoway have a joint right of first refusal on these rights.

In the three months ended February 28, 2005, the Company focussed on processing indicator mineral samples and setting up a camp on the Churchill Diamond Project.

Hecla Project

On February 10, 2005, the Company announced that it acquired by way of federal prospecting permits, a total of 465,000 acres on Melville Island in the NWT. This project is a new conceptual diamond concept developed by Shear and is now referred to as the Hecla Project.

Hecla was acquired based on the identification from air photos and satellite imagery of more than 15 features in two locales suggestive of kimberlitic intrusives. There are more than 15 features that are circular in shape and range in diameter up to 200m hosted in flat lying platformal sediments. Exploration plans for 2005 include a site visit with prospecting and sampling as early as possible in the summer. Images of these features have been posted on the Shear website.

The Arctic Islands of the Northwest Territories and Nunavut have recently become active for diamond exploration. At the same time as the Hecla acquisition, numerous other diamond exploration companies have been acquiring lands elsewhere in the Arctic Islands. More than 7 million acres have been acquired on Victoria Island, Devon Island, Banks Island, Price of Wales Island, Baffin Island, and Ellesmere Island by these companies.

Pursuant to an arms length agreement, Shear has agreed to issue an aggregate of 200,000 common shares of Shear as a Finders Fee upon the following milestones being achieved: 25,000 with the successful acquisition of land, 75,000 shares upon the discovery of a kimberlite, and 100,000 shares upon the discovery of one or more diamonds per kg in any 25kg sized sample of kimberlite. Shear has granted a 2% GORR of which 1% can be bought by Shear for the sum of \$1.5 million.

Risks and Uncertainties

The success of Shear's business is subject to a number of factors, including but not limited to those risks normally encountered by junior resource exploration companies, such as exploration uncertainty, operating hazards, increasing environmental regulation, competition with companies having greater resources, and lack of operating cash flow. In addition, there is no quoted market price for diamonds and the market price for rough diamonds is dependent on an efficient market management system. Shear's on-going ability to finance exploration beyond those programs budgeted to date will depend on, amongst other things, the viability of equity markets.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of Shear and is derived from unaudited quarterly financial statements prepared by management. Shear's interim financial statements are prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars.

Period	Revenues (\$)	Net Loss (\$)	Mineral Property Expenditures (\$)	Basic Loss per share (\$)
Three months ended February 28, 2005	49,221	185,130	769,227	0.003
Three months ended November 30, 2004	57,205	569,431	1,145,903	0.011
Three months ended August 31, 2004	46,850	219,765	1,742,571	0.004
Three months ended May 31, 2004	40,255	163,728	1,282,323	0.004
Three months ended February 29, 2004	27,222	311,857	378,661	0.007
Three months ended November 30, 2003	39,979	992,653	838,681	0.023
Three months ended August 31, 2003	34,627	182,217	746,835	0.005
Three months ended May 31, 2003	17,110	98,265	584,373	0.003
Three months ended February 28, 2003	1,684	180,106	361,669	0.007

The Company's revenues are derived mainly from interest on deposits and short-term investments and management fees charged to joint venture partners. In the past two years, both items have increased. Larger financing activities have led to increased short-term investment balances and increased exploration expenditures, mainly at the Churchill Diamond Project, have resulted in increased revenue from management fees. The Company is in the exploration stage and has no revenue from mining operations.

Liquidity and Capital Resources

The Company has no operating revenues and relies on the issuance of common shares to finance exploration and to provide working capital. The Company incurred a net loss of \$185,130 for the three months ended February 28, 2005 as compared to a net loss of \$311,857 for the three months ended February 29, 2004.

The Company's operating expenses decreased to \$120,700 in the three months ended February 28, 2005 compared to \$129,387 for the same period in 2004. In the three months ended February 28, 2005, the Company increased exploration and acquisition expenditures to \$769,227 from \$378,661 in the same period in 2004. In the three months ended February 28, 2005, the ratio of operating expenses to exploration and acquisition expenses has gone down from 34% in the same period of 2004 to 16% in 2005.

In January of 2005, 700,000 options were exercised at an exercise price of \$0.25 for gross proceeds of \$175,000.

On February 22, 2005, the Company granted 1,475,000 stock options to officers, directors, and employees at an exercise price of \$0.40 which expire five years from the date of grant. The Company recorded a share based compensation expense and contributed surplus of \$128,325 in association with the grant.

On December 31, 2004, the Company renounced \$4,000,000 of qualifying expenditures to holders of flow-through shares, resulting in future income taxes of \$1,384,800, which is reflected as a share issue cost.

On March 21, 2005, the Company issued 25,000 shares to an individual in connection with the acquisition of the Hecla Property ground on Melville Island.

The Company currently has 54,628,421 common shares issued and outstanding and \$4,765,229 in cash, short term deposits, and restricted cash for prospecting permit deposits. The total budget for 2005 administration and exploration is \$4,450,000.

Transactions with Related Parties

During the three months ended February 28, 2005, the Company incurred management fee expense of \$20,000 (2004 – \$18,000) to Encore Resources Inc., a company in which certain directors and officers of the Company have significant influence.

Shear Minerals Ltd. is currently participating in a joint venture at the Shulin Lake Property with two partners. One of the partners is Shulin Lake Mining, a private company in which a director of Shear has a 50% ownership position.

Critical Accounting Estimates

The most significant accounting estimate for the company relates to the carrying value of its mineral property assets. At the end of each quarter, exploration and acquisition expenditures are reviewed and if the expenditures are deemed to have added value to the property, the expenditures are capitalized. Historical exploration and acquisition expenditures are also reviewed each quarter and if a property is inactive for a period of over three years and there are no current plans for further exploration on the property, the property costs are written off. The Company may choose to retain the mineral rights to a property after it is written off if management believes there may be an opportunity to vend or explore the property in the future.

Another significant accounting estimated used by the Company relates to the accounting for stock-based compensation. The Black-Scholes Option Pricing Model is used to determine the fair value of the option and utilizes subjective assumptions such as expected price volatility and expected life of the option. Discrepancies in these input assumptions can significantly affect the fair value estimate.