

SHEAR MINERALS LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

February 28, 2006

GENERAL

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, 2006. The following information, prepared as of April 21, 2006, 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.

DESCRIPTION OF BUSINESS

Shear Minerals Ltd. (“Shear” or the “Company”) is an exploration stage company focussed on diamond exploration. The company acquires and explores mineral properties located primarily in the Northwest and Nunavut Territories, Alberta, and Alaska. The Company is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange under the symbol SRM.

EXPENSES

The Company’s administrative costs decreased to \$132,925 for the three months ended February 28, 2006 compared to \$249,025 for the three months ended February 28, 2005.

General and administrative expenses totalled \$84,460 for the three months ended February 28, 2006, a decrease of \$10,409 from the prior year. The decrease primarily related to share based compensation which was recorded in the first quarter of 2005. General and administrative expenses consisted of corporate travel and tradeshow of \$28,733 (2005 - \$18,821), office expenses of \$24,894 (2005 - \$20,614), administrative payroll of \$17,904 (2005 - \$30,504), regulatory and transfer fees of \$8,161 (2005 - 5,004), shareholder communications and promotion of \$2,536 (2005 - \$19,223), and other expenses of \$2,232 (2005 - \$703).

In the three months ended February 28, 2006, the Company also incurred management fees of \$22,000 (2005 - \$122,225), professional fees of \$5,249 (2005 - \$5,655), consulting fees of \$15,000 (2005 - \$22,694), and amortization of \$6,216 (2005 - \$3,582). The decrease in management fees is primarily due to \$102,225 in share based compensation that was recorded in

the comparative period. Similarly, the decrease in consulting fees is the result of \$6,525 in share based compensation recorded in the comparative period.

NET LOSS

Shear incurred a net loss of \$101,986 (2005 - \$185,130) for the three months ended February 28, 2006, a reduction of \$83,144 from the prior year. As indicated above, this reduction is primarily due share based compensation increasing expenses in the comparative period.

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, 2006	9,351	101,986	523,973	0.002
Three months ended November 30, 2005	32,023	282,884	861,469	0.005
Three months ended August 31, 2005	61,084	88,836	1,456,441	0.002
Three months ended May 31, 2005	40,268	155,011	1,007,141	0.003
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

The Company's revenues are derived mainly from interest on deposits and short-term investments and management fees charged to joint venture partners. These items fluctuate from quarter to quarter depending on the amount of property work being done and our outstanding investment balance, but have remained fairly consistent overall during the past two years. The Company is in the exploration stage and has no revenue from mining operations. The large variations in the net loss from quarter to quarter are primarily due to non-cash items such as mineral property write downs net of future income tax recoveries, write-downs and recoveries of short-term investments, and share based compensation.

RELATED PARTY TRANSACTIONS

During the three months ended February 28, 2006, the Company incurred management fees of \$22,000 (2005 - \$46,100 - including \$26,100 in share based compensation) to Encore Resources Inc., a company in which certain directors and officers of the Company have significant influence. In the opinion of management, these fees are considered to be at market value.

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

LIQUIDITY AND SOLVENCY

The Company has no operating revenue to date and relies upon the proceeds of equity financings to support its mineral property acquisition and exploration projects and to provide working capital. The Company had working capital of \$1,985,170 as at February 28, 2006 as compared with \$1,314,946 as at November 30, 2005.

On December 30, 2005, the Company raised additional funds totalling \$1,449,799 through a non-brokered private placement of 4,832,664 flow-through common shares. In connection with the private placement, the Company issued non-transferable share purchase warrants to acquire an aggregate of 318,441 common shares of Shear. The warrants are exercisable at a price of \$0.30 within one year of issuance and result in share issuance costs of \$25,475.

Management may raise additional capital through equity financings to continue to meet its corporate and exploration commitments over the next year. The Company also has outstanding share options and warrants that if exercised, would result in additional cash proceeds to support corporate activity. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activity and the viability of equity markets.

DISCLOSURE OF OUTSTANDING SHARE DATA

On April 12, 2006, the Company issued 300,000 share options priced at \$0.60 exercisable for a period of 5 years from the date of grant to employees and consultants. This will result in share based compensation of \$105,000 (\$0.35 per option).

As at April 21, 2006, Shear had 60,961,085 common shares outstanding. The following table provides a summary of Shear's share options and warrants outstanding at April 21, 2006:

Security	Number	Exercise Price (\$)	Expiry Date
Share options	400,000	0.25	July 5, 2006
Share options	311,000	0.21	March 6, 2007
Share options	734,000	0.26	February 4, 2008
Share options	1,525,000	0.84	September 8, 2008
Share options	530,000	0.83	February 2, 2009
Share options	50,000	0.75	September 3, 2009
Share options	1,400,000	0.40	February 22, 2010
Share options	50,000	0.41	May 3, 2010
Share options	300,000	0.60	April 12, 2011
Warrants	750,000	1.50	November 9, 2006
Warrants	318,441	0.30	December 30, 2006

MINERAL PROPERTIES

During the three months ended February 28, 2006, expenditures on exploration of the Company's mineral properties totalled \$523,973 compared to \$769,227 in the three months ended February 28, 2005.

1. CHURCHILL DIAMOND, NUNAVUT

The Churchill Diamond Project ("Churchill") is composed of mineral rights to approximately 2.0 million acres near the community of Rankin Inlet in the Kivalliq region of Nunavut. This project is a new and expanding kimberlite district which Shear and its partners discovered in 2003. To date, a total of 41 kimberlites (includes 2 on the Churchill West Diamond Property) have been discovered through drilling. Shear has a 51% interest in the project and is operator. Stornoway Diamond Corp. and BHP Billiton Diamonds Inc. ("BHP Billiton") have 35% and 14% interests respectively. On March 27, 2006 BHP Billiton informed Shear of their intention not to participate in the 2006 Churchill and Churchill West exploration programs and to allow BHP Billiton's interest in the two projects to dilute accordingly. 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. 100% of all non diamond rights are held by Kaminak Gold Corp.

On May 30, 2003, the Company entered into an agreement with BHP Billiton whereby BHP Billiton will fund the entire cost to collect, sample and process the initial 200 tonnes of kimberlitic material from the Churchill Property and sign a standstill agreement for a four year period whereby BHP Billiton is prohibited from participating in a takeover bid, merger, or acquisition of more than 10% of the voting securities of Shear.

2005 Drill Program Results

In September of 2005, the Company and its partners completed a drill program which consisted of 52 drill holes (4,631m of drilling) testing 44 separate targets resulting in the discovery of 17 new kimberlites. The Company also had a successful prospecting program that resulted in the discovery of two occurrences of kimberlite outcrop and numerous occurrences of kimberlite float. Also significant was the discovery of the first diamond at surface, a clear, octahedron measuring 0.44x0.40x0.36mm recovered from a 69.8kg sample of pyrope garnet bearing beach sands which occur in a higher interest area within the Josephine River kimberlite indicator mineral corridor.

Samples from half the core from all kimberlites were submitted to the ISO/IEC 17025 accredited Saskatchewan Research Council Geoanalytical Laboratories ("SRC"), for diamond analysis using caustic fusion. Diamonds were recovered from four kimberlites and are described below:

Drill Hole Number	Sample Weight (kg)	0.106mm Sieve	0.15mm sieve	0.212mm Sieve	0.3mm Sieve	0.425mm sieve	0.6 mm Sieve
05KD428-02 ¹	178.6	1	0	0	0	0	0
05KD900-01 ²	339.4	2	4	5	2	0	1
05KD573-01 ³	68.8	2	0	0	0	0	0
05KD209-01 ⁴	92.7	1	3	3	0	1	1

¹ The largest stone measured 0.18x0.14x0.10mm (clear colourless octahedron)

² The largest stones measured 0.84x0.74x0.64mm (clear colourless aggregate); 0.50x0.36x0.32mm (clear colourless aggregate), 0.42x0.36x0.30mm (clear, colourless octahedron)

³ The largest stones measured 0.22x0.16x0.10mm (colourless octahedron), 0.3x0.2x0.12mm (colourless octahedron)

⁴ The four largest diamonds measured 0.9x0.88x0.64mm (clear); 0.8x0.58x0.46mm (clear amber); 0.74x0.24x0.08mm (colorless fragment) and 0.54x0.26x0.22mm (colorless broken octahedron)

One diamond (on the 0.15mm sieve) was recently recovered from each of two new kimberlite core samples: a 62.1kg sample from KD485 and a 23.9kg sample from KD481. No diamonds were recovered from KD501 (96.4kg sample), a kimberlite drilled with visual indicator minerals. Additional samples from KD501 and KD5845 recovered no diamonds.

Kimberlite KD900 is of particular interest. It hosts the first macrodiamond recovered from the Churchill property and is situated within the Josephine River corridor, an area that hosts favorable G10 mineral chemistry, and is a focus of this year’s drilling. KD900 is 12km from tidewater, under 6m of overburden and is up ice from several pyrope beach sands also hosting favorable G10 mineral chemistry. Samples from these beaches have been collected for both indicator minerals and diamonds. The geophysical signature at KD900 indicates an 80m by 200m target characterized by a subtle 100nT magnetic low. Similiar untested targets exist within 500m of KD900. Through visual observation of the drill core different phases are evident including an altered kimberlite breccia hosting limestone fragments and hypabyssal kimberlite. Close examination shows visible olivine macrocrysts (upto 2cm), picroilmenite, pyrope and eclogitic garnet plus possible mantle nodules.

2005 Prospecting Program Results

2005 ground prospecting was conducted at Churchill covering an area in excess of 75 sq km. A total of 30 kimberlite boulders were recovered within the Sedna and Josephine Corridors alone. These include two occurrences of kimberlite float with visible pyropes and coarse grained macrocrystic olivine textures. Also, two kimberlite outcrops were identified and sampled.

Samples from the two outcrops were submitted to the ISO/IEC 17025 accredited Saskatchewan Research Council Geoanalytical Laboratories (“SRC”), for diamond analysis using caustic fusion. Diamonds were recovered from one of the outcrops and are described below:

Float Target Number	Sample Weight (kg)	0.106mm Sieve	0.15mm sieve	0.212mm Sieve	0.3mm Sieve	0.425mm Sieve
KD5845-1 (outcrop) ¹	121	5	1	0	0	0
KD5845-2(outcrop) ²	26.6	1	1	0	1	0

¹ The largest diamond measured 0.26x0.20x0.20 (octahedron fragment)

² The largest diamond measured 0.7x0.5x0.10mm (colourless fragment); 0.34x0.26x0.06mm (clear fragment)

No diamonds were recovered from a 106.7kg sample from the second kimberlite outcrop FF119. The outcrop kimberlite KD5845 recovered one of the largest diamonds to date at Churchill. Additional material was collected from this location for macrodiamond processing. Two kimberlite floats of particular interest were also discovered. The first kimberlite float location is within the Josephine River G10 corridor (05FWR006) that is of interest due to its composition of more than 50% olivine macrocrysts with abundant purple garnets exhibiting kelyphytic rims, possible chromite and abundant phlogopite. None of the kimberlites drilled to date have displayed

textures as is seen in this small piece of relatively non-magnetic float (05FWR006) suggesting that this may represent a high interest kimberlitic source not yet drilled on the property. Preliminary work confirmed the presence of G10 pyrope garnets with up to 11% Cr₂O₃ and high chrome chromites (up to 65 wt % Cr₂O₃). Initial visual textures from this float show more than 50% olivine macrocrysts and abundant purple garnets exhibiting kelyphytic rims.

The second high interest float discovery is located in the Sedna Corridor and reflects results from a 20kg till sample (Sample 05PST003) collected near the head of a high-interest kimberlite indicator mineral dispersion train. This sample yielded estimated total grain counts of ~32,500 pyropes, ~11,600 ilmenites and ~7,100 chromites plus additional chrome diopsides and eclogitic garnets (total grain counts were projected from representative sub-samples of the concentrate). Sample concentrates were sorted by both Mineral Services Canada Inc. and the Saskatchewan Research Council. A total of 116 garnets were sent for microprobe analysis and all were confirmed as being pyrope garnets. Of the 116 pyrope garnets, 27% of the grains are G10 pyropes as defined by Gurney (1984) and display up to 11% Cr₂O₃. Initial data from the chrome diopside geo-thermometry calculations shows that the sample grains are derived from a cool and potentially favourable mantle geotherm (37mW/m²). Importantly the oversize fraction of the same sample contained abundant altered kimberlite fragments displaying generally coarse grained textures and hosting rounded pyropes with thick kelyphite rims.

Mineral Services Canada Inc. has confirmed that both these float discoveries (05FWR006 and 05PST003) are kimberlite and show similarities to one another. Both yielded high interest G10 chemistry and have abundant olivine macrocrysts and phenocrysts in a carbonate dominated groundmass with serpentine, opaques, perovskite, and mica, making them distinctly different from the kimberlites drilled to date on the property.

2005 Sampling Update

In 2005, a total of 1,877 till samples were collected on the Churchill Property in order to infill the sampling density in the core areas of the property and to better define the indicator mineral trains and the up ice cut off. Since 2000, more than 7,100 surface samples have been collected from the property and all have been processed with more than 55,000 microprobe analysis.

A recent report for Shear by Mineral Services Canada Inc. used advanced indicator mineral composition techniques to filter the Churchill Diamond Project database. The results were incorporated in the selection of 2005 drill targets, and detailed sampling plans. Mineral Services states that “a striking discovery is the fact that the known kimberlites discovered in the last two years did not explain the pyropes in till samples. The unexplained till garnets, which include most G10’s recovered to date, are very likely derived from a colder, high interest geotherm (37mW/m²) than garnets in the known kimberlites.” Mineral Services identified 16 targeted areas that host high interest garnet populations with above average counts that indicate that source is likely nearby. The Mineral Services study also concluded that certain indicator mineral dispersions at Churchill are narrow and also of limited length (less than 3km).

In summer 2005 a dense sampling grid was completed within the Sedna Corridor. Preliminary results have shown increased total counts of pyropes indicating closer proximity to source. For example one sample (05RMT252) had anomalous pyrope counts (>60) and is located up ice of two 2004 anomalous samples containing 19 and 24 pyropes respectively. Increasing detail will enable the targeting of subtle geophysical targets within these areas for the 2006 drill program.

In April the Company announced that 3 macro diamonds (defined as greater than or equal to 0.5mm in two dimensions) and 159 micro diamonds have been recovered from 7.9kg of material

from sample 05PST003 that was processed through the SRC indicator mineral circuit. The original sample weighed 20kg, however only 7.9kg of the remaining archived fractions was submitted for diamond analysis to the SRC. The majority of the diamonds were described as clear and colourless and were dominated by octahedron shapes.

Sample Number	Sample Weight (kg)	0.075mm Sieve	0.106mm Sieve	0.15mm Sieve	0.212mm Sieve	0.3mm Sieve	0.425mm Sieve	TOTAL
05PST003	7.9	95	26	19	11	4	7 ¹	162

¹ The three largest diamonds measured 0.76 x 0.56 x 0.50 mm; 0.96 x 0.60 x 0.51mm and 0.70 x 0.60 x 0.42 mm.

Future Plans

A total budget of \$4.6 million has been proposed for 2006 (Shear's share - \$2,728,000) which includes an exploration program to follow up regions of high interest mineral chemistry. For example, in the area of sample 05PST003, a preliminary review of existing geophysical data has identified several anomalies for detailed ground geophysics and potentially drilling as soon as weather conditions permit access, estimated at late April.

2. CHURCHILL WEST, NUNAVUT

The Company is currently exploring the Churchill West project with Samuel, Stornoway and BHP Billiton where the Company holds a 23% interest, and Samuel, Stornoway and BHP Billiton have interests of 55.00%, 15.75% and 6.3%, respectively in the diamond rights to the property. On March 27, 2006 BHP Billiton informed Shear of their intention not to participate in the 2006 Churchill and Churchill West exploration programs and to allow BHP Billiton's interest in the two projects to dilute accordingly. The property is subject to a 2.0% gross overriding royalty and net smelter royalty in favour of Hunter with respect to the commercial production of diamonds. 100% of all non diamond rights are held by Kaminak Gold Corp.

The Churchill West project encompasses 397,705 acres located near the community of Rankin Inlet in the Kivalliq region of Nunavut, contiguous to the Churchill Diamond Project. In 2003 two kimberlites were discovered on the Churchill West property.

In 2005 the Company and its partners completed a \$300,000 high resolution airborne geophysical survey at the Churchill West Diamond Property. The 3,658 line km magnetic-electromagnetic airborne geophysical survey was intended to follow up indicator mineral chemistry of interest in the southeastern region of the property and was flown at 100 meter line spacing.

International Samuel Exploration Ltd. elected not to participate for its portion of the 2005 program expenditure and as a result will have its percentage ownership diluted accordingly. At the conclusion of this program Samuel's ownership is projected to be 47% and Shear, Stornoway and BHP Billiton will have a 27%, 18.5% and 7.5% interest respectively. Shear has assumed operatorship of the Churchill West Diamond Joint Venture.

Future Plans

A budget of \$400,000 has been proposed for 2006 (Shear's share - 114,000) which will include the interpretation of the 2005 geophysical data and ground follow up of targets of interest.

3. HECLA, NUNAVUT

The Hecla Diamond Project is composed of 465,000 acres of federal prospecting permits located on Melville Island in the NWT. Shear has 100% of this project.

The project was acquired based on a conceptual idea and as a result of 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. The host rocks are Paleozoic flat lying sediments that make these features prominent, similar to the known kimberlites on both Somerset Island and the Brodeur Peninsula.

Shear has agreed to issue an aggregate of 200,000 common shares as a finder's fee upon the following milestones being achieved: 25,000 shares upon the successful acquisition of the land (completed); 75,000 shares upon the discovery of a kimberlite; and 100,000 shares upon the discovery of one or more diamonds per kilogram in any 25 kilogram sample of kimberlite.

In addition, Shear has granted a 2% gross overriding royalty fee, of which 1% can be purchased by Shear for \$1.5 million.

In July 2005 the Company mobilized a five person crew to Resolute in order to initiate fieldwork on the Hecla Diamond Project located on Melville Island in the Northwest Territories. The 8 day field program included prospecting sites of interest, sampling and mapping. No indicator minerals were recovered from the samples collected. Many areas were not able to be evaluated due to snow cover.

Future Plans

A preliminary budget of \$75,000 has been set for the property in 2006. Any future field visits will be subject to weather conditions due to the northern location of this property.

4. AYLNER LAKE WEST, NORTHWEST TERRITORIES

This project operates under a joint venture agreement with Diamond Resources Ltd. Shear currently holds 61.9% of the project. Shear is obligated to pay a 3.5% gross underlying royalty on production from the property. The property is comprised of two mineral leases (5,165 acres) located 50km east of the Diavik Diamond Mine and the established diamond district of Lac de Gras and approximately 320 km northeast of Yellowknife, Northwest Territories. There are two known kimberlites on the property: the Nicholas Bay and Nic2 kimberlites. No work was completed in 2005.

Future Plans

Budgetary meetings for the 2006 field program are currently underway and joint venture agreements are being finalized. The 2006 program may include the re-interpretation of the known kimberlites to determine whether further sampling of the kimberlites is warranted.

5. XYZ, NORTHWEST TERRITORIES

This project operates under a joint venture agreement with Hunter. Shear holds an 80% interest in the project. Hunter retains a 2.0% net smelter royalty on non-diamond production as well as a 2.0% gross overriding royalty on diamond production from the property. Shear is required to pay Hunter a \$10,000 annual advance royalty payment which increases to \$25,000 annually commencing June 30, 2008.

The XYZ Project is composed of more than 19,000 acres of mineral claims located along the northwest boundary of the Ekati™ Diamond Mine property and 225 northeast of Yellowknife, NWT. The project was acquired in 2001 after a high concentration of G10 garnets (a 5 kg un-concentrated sample yielded 15,500 pyrope garnets, 29% of which were G10's, 10,000 microilmenites and 1,000 olivines) and three diamonds (the largest measuring 0.44x0.42x0.212 mm) were identified in a 194 kg beach sand sample from the property. Since that time, Shear has completed airborne geophysics, sampling and ground geophysics and drilling (no kimberlite was intersected).

The source to the indicator minerals being found on surface still remains unknown but Shear believes the source to be local. In 2005 the Company completed a 3 day sampling program and collected 79 till surface samples for kimberlite indicator mineral processing. Results are pending. The purpose of the sampling is to better rank the geophysical anomalies for follow up drill testing. Shear plans to continue to interpret the data and to follow up on the remaining 10 geophysical targets.

Future Plans

Budgetary meetings for the 2006 field program are currently underway. The 2006 program will include the interpretation of the 2005 sample results in conjunction with the geophysical data, followed by ground follow up that could include drill testing of priority targets.

6. AFRIDI LAKE, NORTHWEST TERRITORIES

This project operates under a joint venture agreement with International Samuel Exploration Corporation ("Samuel"), New World Resource Corp. ("New World" - formerly Dasher Energy Corp.) and Mantle Resources Inc. ("Mantle"). Shear currently holds 56% interest in the property and Samuel, New World and Mantle have 25.4%, 8.2% and 8.2%, respectively.

The Company is obligated to issue 100,000 of its common shares to Mantle for each diamondiferous kimberlite discovered on the property, to a maximum of three kimberlites. The Company is also obligated to pay a 5% gross overriding royalty and net smelter fee on production of the property.

The Afridi Lake Property is comprised of 24 mineral claims and three mineral leases (68,600 acres) located approximately 40km east of the Diavik Diamond Mine and the established diamond district of Lac de Gras and approximately 320 km northeast of Yellowknife, Northwest Territories. There are five known kimberlites on the properties (DA-1, DA-2, DA-3, DA-2SW and the Jordan kimberlites) and more than 100 geophysical targets, some of which have been covered by ground geophysics and are drill-ready.

In 2005 the Company completed a 3 day sampling program and collected 31 surface till samples for kimberlite indicator mineral processing. Results are pending. The purpose of the sampling is to better rank the geophysical anomalies for follow up drill testing.

Future Plans

Budgetary meetings for the 2006 field program are currently underway. The 2006 program will include interpreting the 2005 sample results in conjunction with the geophysical data and possible ground follow up that could include drill testing of priority targets.

7. SHULIN LAKE PROJECT, ALASKA

During 2003 and 2004, the Company allowed its vested interest in the Shulin Lake project to become diluted to 12%, then 9.2% by not participating in the fall 2003 and fall 2004 exploration programs. However, due to positive exploration results, the Company did participate in the winter 2004 drilling program, maintaining its interest at 9.2%.

If the Company decides not to participate in future exploration costs, this interest will be diluted on a pro-rata basis to a minimum 4% profit interest.

On July 18, 2005, the Company announced that it has been informed by joint venture operator Golconda Resources Ltd. that one white transparent diamond fragment (0.46x0.26x0.14mm) was recovered from 2,400kg of tuffaceous material from a total of 9 samples. These samples were collected from the drilling of three separate magnetic anomalies and were processed at the SGS Lakefield lab in Lakefield, Ontario. Golconda is currently devising a program to determine the origin of the tuffaceous phase that contains the diamonds that the partnership has recovered over the past three years.

Future Plans

The Company has decided not to participate further in the current \$300,000 exploration drilling program and will dilute down from its current 9.2% to 8.2%. Upon receiving the result of the current program, Shear will be re-evaluating its position with respect to future expenditures.

8. PICHE, ALBERTA

On November 16, 2005, the Company acquired an option on the Piche Lake Property in north central Alberta. Under the terms of the agreement Shear can earn into an initial 51% by incurring a total of \$500,000 of exploration expenditures over two years inclusive of \$100,000 in exploration within the first year. In addition, Shear has the ability to earn an additional 24% in the property by spending an additional \$1 million in exploration expenditures over two years after earning 51%.

On February 16, 2006, the Company commenced a detailed 14,760 line km high resolution airborne geophysical survey over the Liege Diamond Project and the Piche Lake Property that will cover 19 townships at 150m spacings in order to follow up eight high priority seismic pipe-like targets suggestive of kimberlite at both the Piche Lake and Liege Properties.

The current survey, conducted by Firefly Aviation, will provide high resolution data to more accurately locate and rank the targets and identify any new targets in preparation for a comprehensive 2006 follow-up program.

Future Plans

The Company will evaluate the data from the airborne geophysical survey and decide whether to proceed with further ground geophysical surveys and possible drill testing of high interest targets. A budget of \$125,000 has been approved for the property in 2006.

9. LIEGE, ALBERTA

On November 30, 2005, the Company acquired a farm-out agreement on a significant land position in north central Alberta for diamond exploration. The property, known as the Liege Diamond Project, was acquired from a Canadian oil and natural gas exploration, development and production company. Under the terms of the agreement, Shear can earn into an initial 51% interest by incurring a total of \$1,000,000 of exploration expenditures over three years inclusive of \$325,000 in exploration within the first year. A \$10,000 cash finder's fee was paid by Shear under the terms of the agreement.

On February 16, 2006, the Company commenced a detailed 14,760 line km high resolution airborne geophysical survey over the Liege Diamond Project and the Piche Lake Property that will cover 19 townships at 150m spacings in order to follow up eight high priority seismic pipe-like targets suggestive of kimberlite at both the Piche Lake and Liege Properties.

The current survey, conducted by Firefly Aviation, will provide high resolution data to more accurately locate and rank the targets and identify any new targets in preparation for a comprehensive 2006 follow-up program.

Future Plans

The Company will evaluate the data from the airborne geophysical survey and decide whether to proceed with further ground geophysical surveys and possible drill testing of high interest targets. A budget of \$125,000 has been approved for the property in 2006.

10. STELLA POLARIS, SASKATCHEWAN

On April 21, 2006, the Company acquired a significant land position in southern Saskatchewan for diamond exploration. The Stella Polaris Diamond Project (the "Property") is comprised of 235 mineral claims totaling approximately 300,000 hectares (741,000 acres) located approximately 150 km southwest of Regina, SK along the border to the US and is road accessible year round. Shear acquired the Property by staking based on data acquired by Shear from two arm's length parties (the "Vendors").

Pursuant to an agreement dated January 30, 2006 ("the Agreement") between Shear and the Vendors, Shear must:

- (a) within 10 days of receipt of regulatory approval, pay to the Vendors \$25,000 and issue to the Vendors an aggregate of 200,000 common shares of Shear ("Common Shares");
- (b) pay \$25,000 to the Vendors before January 30, 2007;

- (c) pay \$35,000 to the Vendors and issue to the Vendors an aggregate of 100,000 Common Shares before January 30, 2008;
- (d) pay \$50,000 to the Vendors and issue to the Vendors an aggregate of 100,000 Common Shares before January 30, 2009; and
- (e) pay \$75,000 to the Vendors and issue to the Vendors an aggregate of 200,000 Common Shares before January 30, 2010.

(collectively, the “Consideration”). Until the Consideration is fully paid, Shear and the Vendors are subject to an area of mutual interest and will jointly review decisions regarding the Property, including proposed work programs. Shear can elect to accelerate payment of the Consideration, in which case the Vendors will have no further interest in the Property except for a 3% gross overriding royalty (“GORR”) on diamonds, metals and minerals produced from the Property. Shear shall be entitled to purchase 1% of the 3% GORR for \$2 million cash at any time. Shear can be relieved of its obligations pursuant to the Agreement, including the payment of the balance of the Consideration following the initial payment and share issuance, by relinquishing all rights in the Property to the Vendors.

In contemplation of the acquisition of the Property, Shear entered into an agreement with LynCorp. International Ltd. (“LynCorp”), a private Alberta company owned by a director of Shear, whereby LynCorp agreed to fund \$250,000 in exploration expenditures or acquisition costs on the Property within one year to earn an undivided 49% interest in the Property. Once the earn-in is complete, a formal joint venture will be formed whereby each party is responsible for their pro rata share of exploration expenditures and property payments consisting of both cash and shares (or cash equivalent). Shear has a right of first refusal on LynCorp’s interest. Shear will be the operator of the Property.

Future Plans

A review of all existing information is currently being undertaken and further detailed sampling will commence in June of 2006. A budget of \$250,000 has been allocated for the initial program including a limited drill program.

11. OTHER

In 2005 the Company conducted one regional diamond indicator mineral sampling program based on conceptual ideas. Based on sample results, the Company will determine whether or not to acquire mineral rights in the area.

ANALYSIS OF ACQUISITION AND EXPLORATION COSTS

	For the Three Months Ended February 28, 2006			For the Three Months Ended February 28, 2005
	Acquisition Costs	Exploration Costs	Total	Total
Churchill Diamond Project				
Land tenure	\$ 838	\$ -	\$ 838	\$ 102,095
General exploration	-	73,955	73,955	279,953
Project consulting	-	11,775	11,775	33,845
Environment	-	3,805	3,805	-
Field travel	-	578	578	1,001
Field supplies	-	163	163	13,788
Drilling services	-	39,111	39,111	26,409
Sampling	-	266,418	266,418	514,967
Ground geophysics	-	-	-	67,620
Airborne geophysics	-	1,107	1,107	202,643
Analytical	-	4,280	4,280	22,069
Community consultations	-	523	523	2,890
Expenses recovered from partners	(261)	(192,294)	(192,555)	(593,297)
	577	209,421	209,998	673,983
Churchill West Project				
Land tenure	-	-	-	38
Option costs - cash	-	-	-	100,000
General exploration	-	(458)	(458)	2,106
Project consulting	-	1,575	1,575	3,475
Drilling services	-	-	-	1,423
Sampling	-	(1,242)	(1,242)	82,987
Airborne geophysics	-	7,451	7,451	-
Analytical	-	-	-	3,840
Expenses recovered from partners	-	-	-	(119,064)
	-	7,326	7,326	74,805
Hecla Project				
Land tenure	(46,283)	-	(46,283)	-
General exploration	-	7,621	7,621	-
Project consulting	-	103	103	40
	(46,283)	7,724	(38,559)	40
Aylmer Lake West				
General exploration	-	37	37	-
Project consulting	-	-	-	815
	-	37	37	815

XYZ				
General exploration	-	1,034	1,034	-
Sampling	-	25,835	25,835	-
	-	26,869	26,869	-
Afridi Lake				
General exploration	-	1,028	1,028	-
Project consulting	-	-	-	580
Sampling	-	17,223	17,223	820
	-	18,251	18,251	1,400
Back River Gold				
Land tenure	-	-	-	9,595
	-	-	-	9,595
Piche				
General exploration	-	1,597	1,597	-
Airborne geophysics	-	85,647	85,647	-
Community consultations	-	153	153	-
	-	87,397	87,397	-
Liege				
Land tenure	1,302	-	1,302	-
General exploration	-	884	884	-
Airborne geophysics	-	76,563	76,563	-
	1,302	77,447	78,749	-
Stella Polaris				
Land tenure	103,622	-	103,622	-
General Exploration	-	2,776	2,776	-
Airborne geophysics	-	12,000	12,000	-
	103,622	14,776	118,398	-
Other				
General Exploration	-	3,673	3,673	-
Sampling	-	11,834	11,834	8,589
	-	15,506	15,506	8,589
	\$ 59,218	\$ 464,755	\$ 523,973	\$ 769,227

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.

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.

Subsequent Events

On April 26, 2006 the Company announced that it will be offering on a non-brokered private placement basis (the "Offering") up to 1,153,846 units ("Units") at a price of \$0.65 per Unit and up to 2,857,143 flow-through common shares of Shear ("FT Shares") at a price of \$0.70 per FT Share for aggregate gross proceeds of \$2.75 million if the Offering is fully subscribed. Each Unit will consist of one common share of Shear ("Common Share") and one-half of a non-transferable share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire an additional Common Share at a price of \$0.80 at any time within 18 months of issuance. Insiders of Shear may participate in the Offering.

The FT Shares and Units will be offered to qualified purchasers in reliance upon exemptions from the prospectus and registration requirements of applicable jurisdictions. The Offering is subject to certain conditions, including regulatory approval. The proceeds from the sale of FT Shares will be used to incur expenditures which qualify as Canadian Exploration Expenses and will be spent primarily on Shear's Churchill Diamond Project in Nunavut.

Subject to regulatory approval, Shear will pay a finder's fee to brokers or other third parties (a "Finder") consisting of: (a) cash equal to 7% of the gross proceeds realized from sales made to purchasers referred to Shear by the Finder; and (b) non-transferable warrants entitling the Finder to acquire that number of Common Shares equal to 7% of the Units or FT Shares sold to purchasers referred to Shear by such Finder, at a price of \$0.65 per Common Share at anytime within 18 months following closing of the Offering.