

SHEAR MINERALS LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

February 28, 2007

GENERAL

This management discussion and analysis (“MD&A”) supplements, but does not form part of, the unaudited interim financial statements and notes for the three months ended February 28, 2007. The following information, prepared as of April 26, 2007, 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, Saskatchewan and Alaska. The Company is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange under the symbol SRM.

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 income (Loss) (\$)	Mineral Property Expenditures (\$)	Basic Income (Loss) per Share (\$)
Three months ended February 28, 2007	32,013	13,065	435,353	0.000
Three months ended November 30, 2006	57,884	(425,144)	541,791	(0.008)
Three months ended August 31, 2006	62,066	(83,816)	909,363	(0.001)
Three months ended May 31, 2006	59,852	(75,480)	288,061	(0.001)
Three months ended February 28, 2006	21,847	(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)

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 and year to year 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 variations in the net loss from year to year 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.

RESULTS OF OPERATIONS

Shear had a net income of \$13,065 (2006 - loss of \$101,986) for the three months ended February 28, 2007. The increase in net income of \$115,051 is primarily due to a gain on sale of short-term investments of \$83,670 and an unrealized gain on short-term investments of \$79,541. These gains were partially offset by an increase in administrative costs of \$49,234 in the current period.

The Company's administrative costs were \$182,159 for the three months ended February 28, 2007 compared to \$132,925 for the three months ended February 28, 2006.

General and administrative expenses totalled \$105,310 for the three months ended February 28, 2007, an increase of \$20,850 from the comparative quarter. General and administrative expenses consisted of corporate travel and tradeshow of \$30,469 (2006 - \$28,733), office expenses of \$24,373 (2006 - \$24,894), payroll of \$16,798 (2006 - \$17,904), shareholder communications and promotion of \$15,490 (2006 - \$2,536), regulatory and transfer fees of \$16,862 (2006 - \$8,161),

and other expenses of \$1,318 (2006 - \$2,232). The increase in shareholder communications and promotion was due to an increase in advertising expense and promotional materials for investor conferences in the first quarter of 2007 compared with 2006. The increase in regulatory and transfer fees was primarily due to an increase in sustaining fees of \$5,600 paid to the TSX Venture Exchange.

In the three months ended February 28, 2007, the Company also incurred management fees of \$25,000 (2006 - \$22,000), professional fees of \$14,882 (2006 - \$5,249), consulting fees of \$30,600 (2006 - \$15,000), and amortization of \$6,367 (2006 - \$6,216). The increase in professional fees is due to legal expenses to amalgamate subsidiaries and maintain joint venture agreements. The increase in consulting fees related to further development of the Company's corporate strategy.

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 \$2,408,881 as at February 28, 2007 as compared with \$2,765,527 as at November 30, 2006.

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.

RELATED PARTY TRANSACTIONS

During the three months ended February 28, 2007, the Company incurred management fees of \$25,000 (2006 - \$22,000) 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 and are recorded at the exchange amount.

Shear Minerals Ltd. is currently participating 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.

In relation to the acquisition of the Stella Polaris Property, Shear entered into an agreement with Lyncorp International Ltd., a private company owned by a director of Shear. There was \$8,130 due from Lyncorp as of February 28, 2007.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at April 21, 2007, Shear had 66,603,726 common shares outstanding. The following table provides a summary of Shear's share options and warrants outstanding at April 21, 2007:

Security	Number	Exercise Price (\$)	Expiry Date
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	1,325,000	0.40	February 22, 2010
Share options	50,000	0.41	May 3, 2010
Share options	300,000	0.60	April 12, 2011
Warrants	589,250	0.80	September 20, 2007
Warrants	273,476	0.65	September 20, 2007

MINERAL PROPERTIES

During the three months ended February 28, 2007, cash expenditures on exploration and acquisition of the Company's mineral properties totalled \$435,353 compared to \$523,973 in the three months ended February 28, 2006.

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 51 kimberlites (includes 2 on the Churchill West Diamond Property) including six kimberlite outcrops have been discovered on the property over an area of approximately 60km by 60km. Shear has a 51.88% interest in the project and is the operator. Stornoway Diamond Corp. and BHP Billiton Diamonds Inc. ("BHP Billiton") have 35.62% and 12.50% 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. 100% of all non diamond rights are held by Kaminak Gold Corp.

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.

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.

In 2006, extensive exploration totalling \$4.5 million including mini-bulk sampling was carried out in the areas where kimberlite dykes were discovered. In February 2007, the Company announced the recovery of 585 diamonds greater than 0.85mm yielding 16.42 carats from a cumulative 17.26 dry tonne sample from four spatially separate kimberlite dykes on the Churchill Project.

The PST003 kimberlite yielded 7.24 carats from a 3.55-tonne sample, resulting in a sample grade of 2.04 carats per tonne (cpt). A 3.13-tonne sample at the Kahuna kimberlite returned 3.4 carats, producing a sample grade of 1.09 cpt. At Notch, a 4.93-tonne sample returned 3.4 carats resulting in a sample grade of 0.69 cpt. and a smaller sample of 0.5 tonnes at Notch North yielded 0.4 carats producing a sample grade 0.8 cpt. At Jigsaw, a 5.15-tonne sample yielded 1.99 carats resulting in a sample grade of 0.39 cpt. All calculations are based on diamond weights from stones found on the 0.85mm sieve size or larger.

The three largest diamonds from PST003 measured 5.1x4.4x2.8mm (0.55 carats), 5.6x4.6x2.2mm (0.29 carats), and 3.7x2.84x2.6mm (0.16 carats). The three largest stones from Kahuna measured 4.78x3.94x2.66mm (0.27 carats), 4.08x3.58x2.56mm (0.18 carats), and 2.4x2.2x2.14mm (0.1 carats). To date, preliminary observation describes the majority of the diamonds as clear, colorless to white and dominated by octahedrons with some macles, dodecahedrons, and twins.

Sample Number	Sample Weight Dry (tonnes)	Sample Grade Carats per tonne (+0.85mm)	Weight of Diamonds Recovered (carats) (>+0.85mm)	Number of stones >0.85 mm	0.85 mm Sieve	1.18 mm Sieve	1.70 mm Sieve	2.36 mm Sieve	3.35 mm Sieve
PST003 ¹	3.55	2.04	7.24	229	126	76	20	6	1
Kahuna ²	3.13	1.09	3.40	175	129	38	6	2	0
Notch ³	4.93	0.69	3.39	133	75	45	13	0	0
Notch North ⁴	0.5	0.8	0.40	23	15	7	1	0	0
Jigsaw ⁵	5.15	0.39	1.99	72	47	16	8	1	0

¹ Largest stone dimensions 5.1x4.4x2.8mm white octahedroid; 5.6x4.6x2.2mm white twinned octahedron; 3.7x2.84x2.6mm white broken octahedron.

² Largest stone dimensions: 4.78x3.94x2.66mm white; 4.08x3.58x2.56mm white broken aggregate, 2.4x2.2x2.14mm pink cubic.

³ Largest stone dimensions: 3.6x3.4x1.92mm white broken aggregate; 3.64x2.4x1.8mm colorless broken, 3.1x2.1x2mm white 2.9x2.3x2.1 colorless octahedron

⁴ Largest stone dimensions: 3.24x1.88x0.9mm white fragment; 2.04x1.48x1.28mm amber octahedroid; 1.7x1.58x1.2mm clear octahedroid.

⁵ Largest stone dimensions: 3.08x2.9x2.6mm black octahedroid, 2.2x1.82x1.44mm colorless broken, 3.72x2.32x2.3mm colorless broken aggregate.

The samples reported were collected by Shear using surface trenching in August and September 2006. Sample results are based on the recovery of diamonds by Dense Media Separation (DMS) at De Beers Processing plant in Grande Prairie, AB after an initial 8.0mm primary crush. Samples were finished by a caustic fusion of the concentrate at the Saskatchewan Research Council. Sample weights and diamond counts are reported for standard sieve classes greater than 0.85mm (using a square mesh).

PST003

The PST003 kimberlite is located 2 km to the south of Notch within the Sedna Corridor. It is a 0.8m wide vertical dyke estimated to trend for 500m based on geophysical interpretation. Six holes from three set ups have been drilled into PST003. The largest diamonds from the mini-bulk

samples weighed 0.55, 0.29, 0.17, 0.163, and 0.16 carats. Recent geophysical interpretation has identified what could be the southern extension to PST003, trending for 4-5 km to the southwest.

Kahuna

The Kahuna kimberlite is located within the Josephine River Corridor and is a 3.5m to 4m wide vertical kimberlite dyke that trends for more than 5.5 km based on geophysical interpretation. Five drill holes from three setups have intersected the Kahuna kimberlite as well as trenching at two sites. The largest diamonds from the mini-bulk samples were 0.27, 0.18 and 0.10 carats. The largest diamond recovered prior to this at Kahuna measured 3.55x2.95x2.90mm and weighed 0.3 carats.

Notch

The Notch kimberlite is located 15 km southwest of Kahuna in the Sedna Corridor and is a 1.5m wide vertical kimberlite dyke that trends for more than 3 km based on geophysical interpretation. Notch North was collected 1.5 km north of the main Notch outcrop. The largest diamonds are 0.129, 0.11, and 0.108 carats. A total of 11 drill holes from 7 setups have been drilled into the Notch kimberlite trend.

Jigsaw

The Jigsaw kimberlite is located 20 km northwest of Notch to the northwest of the head of the Sedna Corridor. Jigsaw is a 1.3m wide vertical dyke estimated to be 1 km in length based on geophysical interpretation. No drilling has been conducted on the Jigsaw trend. The largest diamonds are 0.16, 0.14 and 0.12 carats.

In 2006, a total of 850 till samples were collected on the Churchill Property in order to infill the sampling density in the core areas and to better define the indicator mineral trains. Since 2000, more than 8,500 surface samples have been collected and processed and more than 20,000 microprobe analyses have been completed. The increased detail from the refined till sample data set will enable the technical team to target subtle geophysical anomalies within the remaining 17 key areas of interest based on mineral chemistry for the 2007 drill program. Results are pending.

In 2006 a total of 23 holes were drilled (1,447m) resulting in the discovery of the Notch and PST02 kimberlite dykes within the Sedna Corridor. In 2006 within the Josephine River Corridor a total of 15 holes were drilled (1,125m). The Kahuna kimberlite dyke was discovered as well as four additional kimberlites, three are classified as low diamond potential based on visual characteristics. Seven additional targets were tested but no kimberlite intersected.

2007 Exploration Program

On April 25, 2007, the Company announced the approval and commencement of an \$8.5 million exploration program at Churchill. The program will focus on a further assessment of three significantly diamondiferous kimberlite dykes discovered in 2006 and will also include further exploration drilling of prospective, unexplained geochemical and geophysical targets.

The program will include the collection of mini-bulk samples of up to 500 tonnes from the Kahuna and Notch kimberlites with the aim of recovering approximately 200 carats of diamonds from each to better estimate grade and provide a preliminary assessment of diamond value. The Kahuna and Notch kimberlites returned encouraging initial diamond sample grades and appear to contain the highest tonnage potential of the four diamond bearing kimberlites discovered last summer. Mini-bulk sampling will be conducted in April to mid May and will be taken from several locations along the strike length of the kimberlite dykes. Core drilling, commencing at

Kahuna, will also be undertaken to help delineate the known kimberlites and provide an initial assessment of size and tonnage.

Other work at Churchill in 2007 will include:

- Snowmobile ground geophysics to collect detailed magnetic data at 40m line spacing within corridors of high interest G10 chemistry.
- Ongoing exploration drilling to find the source of 17 pyrope dispersion trains.
- Ongoing till sampling and prospecting throughout the summer season.
- Structural study and interpretation.
- Ongoing environmental baseline data collection.

The Company also entered into an agreement, together with Stronoway Diamond Corporation, to acquire the remaining 12.5% interest in the Churchill Diamond Project owned by BHP Billiton. Under the terms of the purchase agreement dated April 20, 2007 Shear and Stornoway will each acquire 50% of the BHP Billiton interest for the sum of \$4 million each, to be paid by \$1.25 million cash and the issuance of common shares valued at \$2.75 million. The Shear common shares will be issued at a deemed price of \$0.70 per share and the Stornoway common shares at a deemed price of \$1.25 per share. The agreement is subject to regulatory approvals and will close no later than July 19, 2007. Upon closing, Shear and Stornoway will own a 58.14% and 41.86% interest, respectively in the project.

2. CHURCHILL WEST, NUNAVUT

The Company is currently exploring the Churchill West project with International Samuel Exploration Corp. (“Samuel”), Stornoway and BHP Billiton where the Company holds a 26.32% interest, and Samuel, Stornoway and BHP Billiton have interests of 48.50%, 18.28% and 6.90%, respectively in the diamond rights to the property. 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.

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. Shear has assumed operatorship of the Churchill West Diamond Joint Venture.

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 south eastern region of the property and was flown at 100 meter line spacing.

The 2006 program included ground geophysics, till sampling and prospecting of 70 priority geophysical targets.

Future Plans

Indicator mineral results are still pending for the till samples taken in 2006. Based on those results, final 2007 program plans will be finalized and will likely include ground geophysical surveys over selected targets.

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

The property was not visited in 2006 but a preliminary budget of \$75,000 has been proposed for a property visit in 2007. Future field visits will be subject to weather conditions due to the northern location of this property.

4. 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 225km 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 picroilmenites and 1,000 olivines) and three diamonds (the largest measuring 0.44x0.42x0.212

mm) were identified in a 194kg 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 will be incorporated into future planning. 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

Presently Shear is re-interpreting past geophysical data in conjunction with till sample results. Once results are complete a 2007 budget will be finalized. The 2007 exploration program may include ground follow up and possibly drill testing of priority targets.

5. 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 58.2% 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. In 2006 a 2-day site visit was conducted to collect samples of the kimberlites and host rock for physical property testing. Results will be used to determine future geophysical methods.

Future Plans

Joint venture agreements have been finalized. At the present time the 2007 field plans are being finalized. Current work is comprised of compilation and interpretation of all till sample results to date in conjunction with the geophysical data. 2007 exploration may include additional geophysics (such as airborne and ground gravity) followed by ground checks and drill testing of priority targets. In addition, plans may include the re-interpretation of the known kimberlites to determine whether further drill testing of the kimberlites for diamond analysis is warranted.

6. SHULIN LAKE PROJECT, ALASKA

By not participating in various programs, the Company's interest has been diluted to 8.2%. 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

Upon receiving the results of the current program, Shear will re-evaluate its position with respect to future expenditures.

7. 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%.

The Piche Lake Property is road accessible and is composed of two blocks collectively totaling 380,000 acres and is located 170km northeast of Edmonton, Alberta. Previous exploration by Marmac Mines Ltd. has outlined one prominent pipe like discontinuity on seismic data that is suggestive of a kimberlite pipe. The Piche Lake Property is located within the regional Vegreville kimberlite indicator mineral trend as outlined by the Alberta Geological Survey and is also located along the projected trend of the Snowbird Tectonic Zone, a crustal structure potentially favorable for kimberlite emplacement.

On May 3, 2006 the Company completed an airborne geophysical survey which covered 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 survey, conducted by Firefly Aviation, provides high resolution data that can assist Shear to more accurately locate and rank the targets and identify any new targets suggestive of kimberlite.

In 2006, Shear completed the ground checking of selected targets plus ground geophysical surveying over priority anomalies from the airborne geophysics. Further interpretation is underway on the Piche Property and several geophysical anomalies suggestive of kimberlite have been picked for follow up.

Future Plans

The Company will evaluate all the data collected in 2006 to plan the exploration program for 2007. Future plans may include additional ground geophysical surveys (magnetics, EM and/or gravity) with possible drill testing of high interest targets. Budgetary meetings for the 2007 field program are currently underway.

8. 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.

Seven prominent pipe-like targets have been identified from seismic surveys and are suggestive of kimberlites. They were generated during exploration for oil and gas. The Liege Diamond Project consists of 155,000 acres and is located 360km north of Edmonton, Alberta. The project area lies 80km immediately east of the Buffalo Head Hills kimberlite cluster and is located along the projected trend of the Peace River Arch, a crustal structure potentially favorable for kimberlite emplacement.

On May 3, 2006 the Company completed an airborne geophysical survey which covered 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 survey, conducted by Firefly Aviation, provides high resolution data that can assist Shear to more accurately locate and rank the targets and identify any new targets suggestive of kimberlite.

In 2006, Shear completed the ground checking of selected targets plus ground geophysical surveying over priority anomalies from the airborne geophysics. Further interpretation is underway on the Liege Property and several geophysical anomalies suggestive of kimberlite have been picked for follow up.

Future Plans

Once all geophysical data has been interpreted, drill targets will be finalized. Drill testing would mostly likely be planned for the spring of 2008 when winter road access is possible.

9. 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 throughout the year. 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”) (completed);
- (b) pay \$25,000 to the Vendors before January 30, 2007 (completed);
- (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.

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.

On October 4, 2006, Shear announced the presence of a large pyrope dominated kimberlite indicator dispersion plume on the Stella Property.

In the summer of 2006, a total of 6,819 kimberlite indicator minerals were recovered from 25 surface samples collected from the Property. All samples contained kimberlite indicator minerals with total counts ranging from one grain per sample to the highest count of 1,218 picked kimberlite indicator minerals. In general the samples are dominated by purple pyrope garnets with the highest pyrope count being 817 pyropes from sample 06S007, of which 43 grains were in the 2-3mm size fraction. Other indicator minerals include orange garnets, ilmenite, chromite and chrome diopside. The highest indicator mineral abundances are located near the centre of the property with abundances decreasing towards the east and west that may suggest multiple undiscovered local kimberlite sources. Samples were processed and picked at Mineral Services Canada in Vancouver, BC. Selected grains will be sent for microprobe analysis and surface feature analysis.

In the fall of 2006 a total of 30 till samples were collected and high priority areas were prospected. Indicator mineral results are pending.

Future Plans

Once indicator mineral results and associated mineral chemistry results are received and interpreted, 2007 field program plans will be made. Follow up work may include additional sampling, airborne and ground geophysical surveying over priority areas based on favourable mineral chemistry.

10. SAKARI PROPERTY, NUNAVUT

On August 15, 2006 Shear and Diamonds North Resources Ltd. (“Diamonds North”) entered into an agreement whereby Shear can earn a 50% interest in approximately 42,000 acres of claims located within the southwest portion of Diamonds North’s Amaruik project in the Pelly Bay Diamond District of Nunavut. The Sakari property is located adjacent to the Darby project where a new kimberlite field was recently announced by Indicator Minerals Ltd and Teck Cominco Ltd.

Under the terms of the Agreement Shear can earn into a 50% interest in certain mineral claims totaling approximately 42,000 acres by making a payment of \$97,000 in refundable deposits (completed) and incurring exploration expenditures of \$186,000 before June 30, 2007. Diamonds North will operate the project.

2007 Exploration Program

On April 17, 2007, the Company announced a \$185,000 budget for the Sakari project. Preliminary targets suggestive of kimberlites have been identified on the Property.

The exploration program will include:

- Airborne geophysics
- Evaluating targets with detailed geophysics
- Drill testing high priority targets

11. OTHER

In 2005 and 2006 the Company conducted one regional diamond indicator mineral sampling program based on conceptual ideas. Based on sample results, the Company has decided to acquire mineral rights in the area. Results will be released as soon as possible.

ANALYSIS OF ACQUISITION AND EXPLORATION COSTS

	For the Three Months Ended February 28, 2007			For the Three Months Ended Feb. 28, 2006
	Acquisition Costs	Exploration Costs	Total	Total
Churchill Diamond Project				
Land tenure	\$ 1,259	\$ -	\$ 1,259	\$ 838
General exploration	-	202,298	202,298	90,276
Drilling	-	6,696	6,696	39,111
Sampling	-	86,906	86,906	270,698
Ground geophysics	-	29,866	29,866	-
Airborne geophysics	-	-	-	1,107
Prospecting	-	121,373	121,373	-
Community consultations	-	4,596	4,596	523
Expenses recovered from partners	(512)	(189,992)	(190,504)	(192,555)
	747	261,743	262,490	209,998
Churchill West Project				
General exploration	-	4,914	4,914	1,117
Sampling	-	20,700	20,700	(1,242)
Airborne geophysics	-	-	-	7,451
	-	25,614	25,614	7,326
Hecla Project				
Land tenure	-	-	-	(46,283)
General exploration	-	4,024	4,024	7,724
	-	4,024	4,024	(38,559)
Aylmer Lake West				
General exploration	-	-	-	38
	-	-	-	38
XYZ				
General exploration	-	305	305	1,034
Ground geophysics	-	1,844	1,844	-
Sampling	-	-	-	25,835
	-	2,149	2,149	26,869
Afridi Lake				
Land tenure	3,234	-	3,234	-
General exploration	-	4,096	4,096	1,028
Drilling	-	900	900	-
Sampling	-	-	-	17,223
Ground geophysics	-	1,212	1,212	-
	3,234	6,208	9,442	18,251

Sakari

Airborne Geophysics	-	14,630	14,630	-
	-	14,630	14,630	-

Piche

General exploration	-	3,753	3,753	1,597
Ground geophysics	-	903	903	-
Airborne geophysics	-	-	-	85,647
Community consultations	-	110	110	153
	-	4,766	4,766	87,397

Liege

Land tenure	-	-	-	1,302
General exploration	-	13,405	13,405	884
Ground geophysics	-	25,491	25,491	-
Airborne geophysics	-	-	-	76,563
	-	38,896	38,896	78,749

Stella Polaris

Land tenure	-	-	-	103,622
Option costs – cash	25,000	-	25,000	-
General exploration	-	4,302	4,302	2,776
Sampling	-	19,138	19,138	-
Ground geophysics	-	184	184	-
Airborne geophysics	-	-	-	12,000
Expenses recovered from partner	-	(8,130)	(8,130)	-
	25,000	15,494	40,494	118,398

Other

Land tenure	32,848	-	32,848	-
General exploration	-	-	-	3,672
Sampling	-	-	-	11,834
	32,848	-	32,848	15,506

\$	61,829	\$	373,524	\$	435,353	\$	523,973
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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. The impairment of mineral properties is assessed whenever changes in circumstances indicate the carrying amount may not be recoverable and the properties are written down to estimated fair value. 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 estimate used by the Company relates to the accounting for share-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.