

SHEAR MINERALS LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED NOVEMBER 30, 2007

GENERAL

This management discussion and analysis (“MD&A”) supplements, but does not form part of, the financial statements and notes for the year ended November 30, 2007 of Shear Minerals Ltd. (“Shear” or the “Company”). The following information, prepared as of March 25, 2008, 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 is an exploration stage company focused on diamond exploration. The Company acquires and explores mineral properties located primarily in the Northwest and Nunavut Territories, Alberta, Saskatchewan and Michigan. The Company is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange under the symbol SRM.

ANNUAL FINANCIAL HIGHLIGHTS

The following selected annual information is derived from the Company’s audited annual financial statements:

	Year Ended November 30,		
	2007	2006	2005
Revenue	\$ 306,174	\$ 201,649	\$ 182,596
Net income (loss)	650,111	(686,426)	(711,861)
Basic and diluted income (loss) per share	0.009	(0.011)	(0.013)
Total assets	25,420,110	17,266,442	14,863,314

Results of operations for the year ended November 30, 2007

Shear had a net income of \$650,111 (2006 – net loss of \$686,426) for the year ended November 30, 2007. The increase in income of \$1,336,537 is primarily due to a future tax recovery from the elimination of a portion of the previously recorded valuation allowance, increased management

fee revenue, a gain on short-term investments, and lower write downs of mineral properties (net of related future income tax recoveries). These increases were partially offset by increased general and administrative expenses and consulting fees.

General and administrative expenses totalled \$475,954 for the year ended November 30, 2007, an increase of \$83,193 from the comparative period. General and administrative expenses consisted of corporate travel and tradeshows of \$98,392 (2006 - \$85,224), office expenses of \$124,166 (2006 - \$108,253), payroll of \$85,937 (2006 - \$80,615), shareholder communications and promotion of \$95,680 (2006 - \$78,479), regulatory and transfer fees of \$31,239 (2006 - \$35,089), and other expenses of \$40,540 (2006 - \$5,101).

The increase in corporate travel and tradeshows was due to increased investor relations activity and more travel by senior management and consultants to the Company's exploration properties. The increase in office expenses and payroll was due to the hiring, support, and training of additional employees to support the Company's exploration projects, as well as increased occupancy costs from moving to a new corporate office location. The increase in shareholder communications and promotion was due to an increase in advertising expense and promotional materials for investor conferences in 2007 compared to 2006. Other expenses include share-based compensation of \$29,463 related to the extension of the expiry date of certain warrants to May 19, 2008.

In the year ended November 30, 2007, the Company also incurred management fees of \$127,500 (2006 - \$124,500), professional fees of \$113,081 (2006 - \$117,455), consulting fees of \$136,540 (2006 - \$68,644), and amortization of \$32,081 (2006 - \$26,068). The increase in management fees is due to salary increases that are consistent with industry conditions. The increase in consulting fees is due to increased resources required to manage the Company's larger exploration programs and further development of the Company's corporate strategy.

SUMMARY OF QUARTERLY RESULTS

The following selected financial information is derived from unaudited quarterly financial statements prepared by management:

	Fiscal Year 2007				Fiscal Year 2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 60,883	\$ 124,641	\$ 88,637	\$ 32,013	\$ 57,884	\$ 62,066	\$ 59,852	\$ 21,847
Net income (loss)	1,056,684	(101,663)	(317,975)	13,065	(425,144)	(83,816)	(75,480)	(101,986)
Mineral property expenditures	370,531	3,621,858	1,832,967	435,353	541,791	909,363	288,061	523,973
Basic and diluted income (loss) per share	0.014	(0.001)	(0.005)	-	(0.008)	(0.001)	(0.001)	(0.002)

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. 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 for the three months ended November 30, 2007

Shear had a net income of \$1,056,684 (2006 – net loss of \$425,144) for the three months ended November 30, 2007. The increase in net income of \$1,481,828 is primarily due to a future tax recovery from the elimination of a portion of the previously recorded valuation allowance as well as decreases in general and administrative expenses. In addition, the write down of mineral properties was \$696,359 lower than the comparative period.

The Company's expenses were \$280,042 for the three months ended November 30, 2007 compared to \$309,023 for the three months ended November 30, 2006.

General and administrative expenses totalled \$130,255 for the three months ended November 30, 2007, a decrease of \$30,013 from the comparative quarter. General and administrative expenses consisted of corporate travel and tradeshows of \$23,712 (2006 - \$30,904), office expenses of \$33,206 (2006 - \$37,726), payroll of \$21,137 (2006 - \$33,735), shareholder communications and promotion of \$10,444 (2006 - \$38,535), regulatory and transfer fees of \$9,797 (2006 - \$18,115), and other expenses of \$31,959 (2006 - \$1,253).

The decrease in payroll, and the increase in consulting fees below, was due to a change from the prior year in the relative mix of employees and contract consultants hired to support the Company's exploration projects. The decrease in shareholder communications and promotion was a result of annual report printing costs being incurred in the third quarter of 2007 compared to the fourth quarter of 2006. Other expenses include share-based compensation of \$29,463 related to the modification of certain warrants to extend the expiry date to May 19, 2008.

In the three months ended November 30, 2007, the Company also incurred management fees of \$40,000 (2006 - \$57,500), professional fees of \$64,042 (2006 - \$63,259), consulting fees of \$33,787 (2006 - \$21,244), and amortization of \$11,958 (2006 - \$6,752). The decrease in management fees is due to higher bonuses awarded by the Board of Directors in 2006 versus 2007, partially offset by salary increases that are consistent with industry conditions.

LIQUIDITY AND SOLVENCY

The Company has minimal operating revenue to date and relies primarily 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 \$930,679 as at November 30, 2007 as compared with \$2,765,527 as at November 30, 2006.

In June of 2007, the Company issued 4,545,500 flow-through shares at a price of \$0.88 per share and 2,666,500 units at a price of \$0.75 per unit for gross proceeds of \$5,999,915. The Company will be required to incur \$4,000,040 of qualifying expenditures to be renounced to the holders of the flow-through shares. Each unit consisted of one non-flow-through common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.95 at any time within 18 months of issuance. The fair value attributable to the non-flow-through common shares and warrants was \$1,676,542 and \$323,333 respectively. In addition, agents received 504,840 warrants as commission at an exercise price of \$0.75 per common share, which expire in December 2008. Related to this, the Company has recorded share-based compensation in the amount of \$156,500 as a share issue cost.

In December of 2007, the Company issued 4,263,266 flow-through shares at a price of \$0.75 per share for gross proceeds of \$3,197,450. The Company will be required to incur \$3,197,450 of qualifying expenditures to be renounced to the holders of the flow-through shares. In addition, agents received 286,995 warrants as commission at an exercise price of \$0.75 per common share, which expire in December 2009. Related to this, the Company has recorded share-based compensation in the amount of \$60,269 as a share issue cost.

Management intends to 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 year ended November 30, 2007, the Company incurred management fees of \$127,500 (2006 – \$124,500) to Encore Resources Inc., a company in which a director and officer of the Company has significant influence, and consulting fees of \$14,109 (2006 - \$2,400) to a director of the Company. In the opinion of management, these fees are considered to be at market value and are recorded at the exchange amount.

In relation to the acquisition of the Stella Polaris Property, Shear entered into an agreement with Lyncorp International Ltd. (“Lyncorp”), a private company owned by a director of Shear.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at March 25, 2007, Shear had 83,115,627 common shares outstanding. The following table provides a summary of Shear’s share options and warrants outstanding at March 25, 2008:

Security	Number	Exercise Price (\$)	Expiry Date
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	1,300,000	0.40	February 22, 2010
Share options	275,000	0.60	April 12, 2011
Warrants	589,250	0.80	May 19, 2008
Warrants	1,333,250	0.95	December 12, 2008
Warrants	504,840	0.75	December 12, 2008
Warrants	286,995	0.75	December 19, 2009

MINERAL PROPERTIES

During the year ended November 30, 2007, cash expenditures on exploration and acquisition of the Company's mineral properties totalled \$6,260,709 compared to \$2,263,188 in the year ended November 30, 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 79 kimberlites (2 on the Churchill West Diamond Property), including 31 discovered in 2007, have been discovered on the property.

Prior to July 17, 2007, Shear and Stornoway Diamond Corp. ("Stornoway") owned a 51.89% and a 35.61% interest respectively in the Churchill Diamond Project. On July 17, 2007 Shear and Stornoway each acquired 50% of the BHP Billiton Diamonds Inc. ("BHPB") interest in the Churchill Diamond Project. Shear paid \$1,250,000 in cash and issued 3,928,571 common shares. Currently, Shear and Stornoway own 58.14% and 41.86% interests, respectively, in the project.

The property is subject to a 2% 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.

The property hosts four high interest, diamond bearing kimberlites:

Kahuna: The Kahuna kimberlite is located within the Josephine River Corridor and is a 3.5m to 4m wide vertical kimberlite dyke averaging 2.8m in true width that trends for more than 5.5 km based on geophysical interpretation.

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.

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 and is open along strike in both directions.

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.

2007 Exploration Update

The 2007 exploration program focussed on a further assessment of three significantly diamondiferous kimberlite dykes discovered in 2006 and included further exploration drilling of prospective, unexplained geochemical and geophysical targets.

Kahuna Mini Bulk Sampling

The aim of the bulk sampling program in 2007 was to recover at least 200 carats of diamonds from one or more of the kimberlites to better estimate grade and provide a preliminary assessment of diamond value.

In May 2007, the collection of a 400-tonne mini bulk sample from the Kahuna kimberlite dyke was completed. The sample was collected from three spatially separate surface locations collected by trenching along a strike length of 215 metres at the Kahuna kimberlite dyke. In addition, a new kimberlite, KD308, located along a parallel structure close to the Kahuna dyke, was discovered from drilling.

Processing of the Kahuna mini bulk sample was completed in November 2007 with 11,088 diamonds greater than 0.85mm recovered from a total sample of 356 dry tonnes for an overall diamond grade of 0.95 carats per tonne. The mini bulk sample yielded 337 carats of diamonds with preliminary observation describing the majority as white and colourless. The five largest stones were 5.44, 2.05, 1.54, 1.44 and 1.32 carats. Several of the larger stones are interpreted to be broken fragments of a larger diamond estimated to have been up to 14 carats in weight.

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	4.75 mm Sieve	6.75 mm Sieve
Kahuna – Sample 1	98.13	1.03	100.80	3,582	1,737	1,528	263	48	6	0	0
Kahuna – Sample 2	106.57	0.88	93.54	3,239	1,609	1,374	203	40	13	0	0
Kahuna – Sample 3	151.63	0.94	142.35	4,267	2,015	1,850	302	76	20	3	1
Total Kahuna	356.33	0.95	336.69	11,088	5,499	4,772	773	165	39	3	1

Sample results are based on the recovery of diamonds by dense media separation at Kennecott Canada Exploration Inc.'s independent processing plant in Thunder Bay, Ontario using a 1mm square mesh bottom cut off. Kahuna Samples 1 and 3 were crushed; Sample 2 required no crushing as the kimberlite was pervasively clay altered. A 135.0kg and 672.8kg heavy mineral concentrate was generated from Samples 1 and 3 respectively and then passed through an x-ray sorter and picked for diamonds. Diamonds were also recovered during an audit of the magnetic fractions and x-ray rejects resulting in the treatment of these fractions by caustic fusion analysis.

KD308 Diamond Results

The KD308 kimberlite, which was drilled earlier this year and reported in a May 2, 2007 press release, was interpreted to represent a kimberlite blow on a parallel structure 2.5km east of Kahuna. A sample of 160kg of material was collected and analyzed for diamond content. The results are tabulated below:

Sample Number	Sample Weight (kg)	0.106mm Sieve	0.15mm Sieve	0.212mm Sieve	0.3mm Sieve	0.425mm Sieve	0.6 mm Sieve	0.85mm Sieve	1.180 mm Sieve	Total
KD308	160	10	6	4	0	0	1	0	0	21

¹ The three largest diamonds measured 1.00mm x 0.68mm x 0.58mm; 0.5mm x 0.42mm x 0.26mm; 0.38mm x 0.32mm x 0.30mm

All samples were submitted to the Saskatchewan Research Council Geoanalytical Laboratories accredited to the ISO/IEC 17025 standard by the Standards Council of Canada as a testing laboratory for diamond analysis using caustic fusion.

Results from Tailings Audit

On August 1, 2007 the Company announced recovery of additional macro diamonds from an audit of the tailings material from the 2006 Jigsaw, PST003, Notch and Kahuna mini bulk samples. The primary goal of the audit work was to determine the efficiency of the primary processing circuit applied to the 2006 mini bulk samples.

As a result of the audit, diamond content for the four kimberlites, initially reported in February 2007, has increased from 0.69 carats per tonne (cpt) to 0.82 cpt for Notch; 0.39 cpt to 0.49 cpt for Jigsaw; 1.09 cpt to 1.11 cpt for Kahuna, and 2.04 cpt to 2.18 cpt for PST003. The diamond content of Notch North remains unchanged. Detailed results from tailings audit are available in the Company's press release dated August 1, 2007.

Additional Exploration Results

On October 11, 2007 the Company announced that a total of 31 new kimberlites were discovered from prospecting and drilling in 2007. Three of the kimberlites are interpreted to be of the high interest variety for diamonds similar to those found elsewhere on the property beginning in 2006. Additional work in 2007 included the following:

- High resolution geophysical surveys over all high-interest G10 pyrope corridors to assist with target identification and drilling. This consisted of ground geophysics totalling 5,000 line-km at 40m line spacing and high resolution airborne magnetics surveying using the FUGRO MIDAS system, and 12,000 line-km at 15m line spacing to provide seamless data for follow up.
- 488 till samples taken to infill known priority areas.
- 51 auger drill holes completed in the Josephine River Corridor to trace the high-interest pyropes in the glaciofluvial sand deposits. 37 of these holes contained visible kimberlite fragments.
- Sixty-four drill-holes totalling 4,666m were completed on the property to test new exploration targets and to define and better understand the Kahuna kimberlite.

At Kahuna, 30 drill-holes from 18 set-ups totalling 2,333m were drilled along a tested 4.5km strike length of the kimberlite dyke to provide a better understanding of its size and geometry. A total of 142m of kimberlite was intersected down hole, with single intercepts ranging from 0.5 to 4.6 metres and averaging 2.6m in true width. On February 20, 2008, the Company reported that drill core samples totalling 206.3kg were processed and 1,071 diamonds, including 99 macro diamonds, were recovered.

In addition, samples were collected from each of the three mini bulk sample pits for micro diamond modeling. As reported on February 20, 2008, a total of 288.5kg was processed with 1,619 diamonds, including 215 macro diamonds, being recovered.

In addition, 26 exploration targets were tested with 32 drill holes totalling 2,354m resulting in the discovery of 15 new kimberlites on the property. Three of these are interpreted as high diamond potential kimberlite dykes, occurring at the heads of three different G10 pyrope mineral trains in the Sedna Corridor and are believed to be the source of the mineral chemistry. Sample material totalling 190.4kg was collected and sent for diamond recovery. The KD308 kimberlite (see above) accounts for 160kg of this material. As reported on January 31, 2008, caustic fusion results from the remaining material have returned significant micro and macro diamond counts ranging from 29 to 138 diamonds per kilogram of kimberlite analyzed.

Prospecting on the property resulted in 16 new kimberlite discoveries occurring as outcrop and subcrop. A total of 291kg of kimberlite was collected in 15 to 25kg grab samples from each new outcrop and subcrop occurrence. In addition to the outcrops and subcrops, nine unsourced kimberlite float anomalies were found.

Of particular interest is the Meeka kimberlite found from prospecting an east-west linear trend located southeast of the Jigsaw kimberlite. An area of green coloured till was sampled and nineteen diamonds were recovered from a 15kg till sample using caustic fusion. Based on interpretation from a ground geophysical grid, Meeka is an east-west trending dyke 500m in length and open in both directions. Trenching along the kimberlite was unable to establish true width but enabled the collection of a 1.8-tonne mini bulk sample for macro diamond analysis and a 100kg sample collected for micro diamond analysis using caustic fusion.

Future Plans

Work is presently underway on planning and budgeting for the 2008 exploration program at Churchill. Work will include ongoing prospecting, till sampling and drilling to find new kimberlites, including the sources of 30 key areas of unexplained high interest G10 mineral chemistry. In addition, exploration is planned on known kimberlites to collect larger samples to gain a better understanding of diamond grade, value, and potential tonnages. This will assist in developing a resource model and enable a preliminary assessment of the project's economic potential.

2. CHURCHILL WEST, NUNAVUT

The Company is currently exploring the Churchill West project with International Samuel Exploration Corp. ("Samuel"), Stornoway and BHPB where the Company holds a 26.45% interest, and Samuel, Stornoway and BHPB have interests of 48.75%, 18.37% and 6.43%, respectively, in the diamond rights to the property. The property is subject to a 2% gross overriding royalty and net smelter royalty in favour of 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 refusal on these rights.

BHPB did not participate in the 2006 or 2007 Churchill West exploration programs and their interest will dilute accordingly. Shear is currently the operator 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 and 2007 programs included till sampling and prospecting of priority geophysical targets.

Future Plans

Once full results have been received from the 2007 till sampling, a review of all past data focussed on mineral chemistry will be completed. Based on those results, future budgets will be discussed with joint venture partners and finalized. Plans will likely include ground geophysical surveys over selected targets and prospecting, followed by drilling of any high priority targets.

3. AYLMEER LAKE WEST, NORTHWEST TERRITORIES

This project operates under a joint venture agreement with Diamond Resources Ltd. Shear currently holds 62.9% 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 50 km 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.

During 2006 the Company wrote off the accumulated carrying amounts related to the Aylmer Lake West Property. However, in 2007 the Company made lease payments to keep the property in good standing.

Future Plans

Future plans may include the re-interpretation of the known kimberlites to determine whether further sampling of the kimberlites is warranted.

4. HECLA, NORTHWEST TERRITORIES

The Hecla Diamond Project is composed of 465,000 acres of federal prospecting permits located on Melville Island in the Northwest Territories. 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 2005 the Company mobilized a five person crew to Resolute in order to initiate fieldwork on the Hecla Diamond Project. 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

No work was conducted on the property in 2006 or in 2007. Future field visits will be subject to weather conditions due to the northern location of this property.

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% net smelter royalty on non-diamond production as well as a 2% 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 EkatiTM 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.

Future Plans

Presently Shear is re-interpreting past geophysical data in conjunction with till sample results. The 2008 exploration program may include ground follow up and possibly drill testing of priority targets.

6. AFRIDI LAKE, NORTHWEST TERRITORIES

This project operates under a joint venture agreement with 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 (56,000 acres) located approximately 40km east of the Diavik Diamond Mine within 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.

On May 17, 2007, the Company and its joint venture partners announced the approval of a \$1.2 million exploration program which consisted of a 2,850 line kilometer high resolution airborne gravity survey to show density contrast between the surrounding rock and kimberlite. Targets were ranked and checked using ground geophysics. In 2007, Stage 1 of the exploration program was completed and confirmed eight initial priority geophysical targets suggestive of kimberlites ready for drill testing.

In June and July 2007 the partners completed a 2,850 line kilometres high resolution airborne gravity gradient survey. It was proven that the density contrast between the surrounding rock and the known kimberlites was great enough to register an interpretable gravity gradient anomaly of two hectares or larger. A review of the geophysical data identified an initial 24 targets worthy of follow up, including nine high priority. These isolated gravity low targets are suggestive of kimberlite.

In August 2007 a 10 person crew completed ground follow up surveys where more than 50 targets were ground checked and a total of 206 line kilometers of ground magnetics and 791 gravity stations were completed.

Future Plans

From the geophysical data collected in the fall of 2007, eight targets have been chosen for follow up drilling in spring 2008. Exploration will include continued ground magnetic and ground gravity surveying to generate additional drill targets.

7. SHULIN LAKE PROJECT, ALASKA

During 2007, the Company wrote off the carrying amounts related to the Shulin Lake property in the amount of \$234,814 as the Company has no current plans for further exploration on this property.

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. The optionee has agreed to give Shear until May 14, 2008 to complete their \$500,000 in property expenditures. 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 totalling 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 favourable 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 selected 80 anomalies for ground follow up of which 60 were ground checked. Ground geophysical surveys were completed on two priority anomalies from the airborne geophysics. Further interpretation is underway on the Piche Property and 30 geophysical anomalies suggestive of kimberlite remain to be ground checked. To date no targets warrant drill testing.

In 2007 Shear completed a ground gravity survey over the seismic target. Final data is pending.

Future Plans

Once the gravity data has been received and interpreted, the Company will evaluate all the data collected. 2008 plans include ground checks of the remaining targets plus possible ground geophysical surveys (magnetics, EM and/or gravity).

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 by May 30, 2008. 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 favourable 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 ground checked 26 priority geophysical anomalies suggestive of kimberlite and completed ground magnetic surveys at 17 anomalies. As a result, seven priority targets have been chosen for drill testing scheduled for the spring of 2008.

In 2007 Shear completed ground gravity surveys over several targets in order to assist in the prioritization of these targets for drill testing. Final data is pending.

Future Plans

Seven priority targets have been chosen for drill testing and budgets will be finalized for a 2008 drill program when weather conditions permit, either by winter road access or summer helicopter support.

10. STELLA POLARIS, SASKATCHEWAN

In 2006, the Company acquired the Stella Polaris Diamond Project (the "Property") in southern Saskatchewan by paying \$25,000 and issuing 200,000 common shares of Shear to the vendors. In 2007, pursuant to an agreement between Shear and the vendors, Shear paid an additional \$25,000.

Shear entered into an agreement with 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.

During 2007, the Company wrote off the carrying amounts related to the Stella Polaris property in the amount of \$180,338 as the Company has no current plans for further exploration on this property.

11. SAKARI PROPERTY, NUNAVUT

During 2007, the Company earned into a 50% interest in approximately 42,000 acres of claims located within the southwest portion of Diamonds North's Amaruk project in the

Franklin Kimberlite District of Nunavut. The Sakari property is located adjacent to the Darby project where nine kimberlites have been discovered to date. Diamonds North Resources Ltd. Retains the other 50% interest in the property and is the operator.

During the 2007 exploration program, 1,930 line kilometers of high resolution magnetic airborne surveying was completed over the property. The airborne survey was flown at 100 metre line spacing. To date, only 30% of the geophysical data has been reviewed in a cursory fashion. From this review, 10 targets have been selected for follow-up exploration in 2008.

Prior to the end of the 2007 exploration season, one target selected from preliminary unlevelled geophysical data was ground surveyed and subsequently drill tested using a lightweight reverse circulation drill. No kimberlite was intersected.

Future Plans

All geophysical data is being interpreted by Diamonds North. Once completed, budgets and plans for will be completed for the 2008 program. 2008 exploration work may include sampling, ground geophysical surveying and possible drill testing of priority targets.

12. CRYSTAL PROJECT, MICHIGAN, USA

In 2007, the Company issued 100,000 shares to acquire the Crystal Project in Michigan, USA. The Company is obligated to issue 20,000 of its common shares to the vendors of the project for each diamondiferous kimberlite discovered on the property, to a maximum of 100,000 shares. The Company is also obligated to pay a 3% gross overriding royalty on production from the property, of which 1.5% can be purchased by Shear for \$US 1.0 million for each whole percentage, and if any fraction of a percentage is purchased, by an amount pro-rated in accordance with the percentage purchased.

Future Plans

Future plans will be determined when results are received and interpreted.

ANALYSIS OF ACQUISITION AND EXPLORATION COSTS

Year Ended November 30, 2007

	Churchill Diamond	Churchill West	Hecla	Aylmer Lake West	XYZ	Afridi Lake	Sakari	Shulin Lake	Piche	Liege	Stella Polaris	Crystal	Total
Acquisition Costs													
Land tenure	130,791	1,853	-	10,314	-	74,238	-	-	-	-	-	32,848	250,044
Option costs - cash	1,250,000	-	-	-	10,000	-	-	-	-	-	25,000	-	1,285,000
Option costs - shares	2,475,000	-	-	-	-	-	-	-	-	-	-	79,000	2,554,000
Expenses recovered from partners	(54,723)	(1,329)	-	-	-	(31,032)	-	-	-	-	(12,250)	-	(99,334)
Write down of mineral property	-	-	-	-	-	-	-	(3,821)	-	-	(155,210)	-	(159,031)
	<u>3,801,068</u>	<u>524</u>	<u>-</u>	<u>10,314</u>	<u>10,000</u>	<u>43,206</u>	<u>-</u>	<u>(3,821)</u>	<u>-</u>	<u>-</u>	<u>(142,460)</u>	<u>111,848</u>	<u>3,830,679</u>
Exploration Costs													
General exploration	2,267,097	42,327	4,410	-	837	91,572	-	-	8,384	22,624	12,300	2,763	2,452,314
Bulk sampling	1,976,342	-	-	-	-	-	-	-	-	-	-	-	1,976,342
Environment	98,220	56	-	-	-	776	-	-	3,242	-	-	-	102,294
Drilling	1,696,750	-	-	-	-	14,865	-	-	-	1,362	-	-	1,712,977
Sampling	536,165	15,969	-	-	-	1,614	-	-	-	-	38,537	-	592,285
Ground geophysics	270,908	1,387	-	-	3,165	173,742	-	-	2,736	25,980	184	26,184	504,286
Airborne geophysics	579,056	79,922	-	-	1,452	565,846	185,940	-	-	114	-	91,648	1,503,978
Prospecting	519,397	25,483	-	-	-	20,520	-	-	-	-	-	-	565,400
Community consultations	61,054	345	-	-	-	-	-	-	1,031	1,144	-	-	63,574
Expenses recovered from partners	(3,258,845)	(118,706)	-	-	-	(363,215)	-	-	-	-	(30,268)	-	(3,771,034)
Write down of mineral property	-	-	-	-	-	-	-	(230,993)	-	-	(25,128)	-	(256,121)
	<u>4,746,144</u>	<u>46,783</u>	<u>4,410</u>	<u>-</u>	<u>5,454</u>	<u>505,720</u>	<u>185,940</u>	<u>(230,993)</u>	<u>15,393</u>	<u>51,224</u>	<u>(4,375)</u>	<u>120,595</u>	<u>5,446,295</u>
	<u>8,547,212</u>	<u>47,307</u>	<u>4,410</u>	<u>10,314</u>	<u>15,454</u>	<u>548,926</u>	<u>185,940</u>	<u>(234,814)</u>	<u>15,393</u>	<u>51,224</u>	<u>(146,835)</u>	<u>232,443</u>	<u>9,276,974</u>

Year Ended November 30, 2006

	Churchill Diamond	Churchill West	Hecla	Aylmer Lake West	XYZ	Afridi Lake	Sakari	Shulin Lake	Piche	Liege	Stella Polaris	Crystal	Total
Acquisition Costs													
Land tenure	(166,249)	560	(46,283)	-	-	39,354	-	-	4,433	39,644	108,810	-	(19,731)
Option costs - cash	-	-	-	-	10,000	-	97,618	-	-	-	25,000	-	132,618
Option costs - shares	-	-	-	-	-	-	-	-	-	-	114,000	-	114,000
Expenses recovered from partners	(28,095)	(410)	-	-	-	(16,450)	-	-	-	-	(105,350)	-	(150,305)
Write down of mineral property	-	-	-	(135,937)	-	-	-	-	-	-	-	-	(135,937)
	<u>(194,344)</u>	<u>150</u>	<u>(46,283)</u>	<u>(135,937)</u>	<u>10,000</u>	<u>22,904</u>	<u>97,618</u>	<u>-</u>	<u>4,433</u>	<u>39,644</u>	<u>142,460</u>	<u>-</u>	<u>(59,355)</u>
Exploration Costs													
General exploration	1,078,349	23,879	6,303	10,398	2,207	12,762	-	240	20,568	12,306	88,187	8,048	1,263,247
Bulk sampling	-	-	-	-	-	-	-	-	-	-	-	-	-
Environment	22,785	915	-	-	-	540	-	-	4,924	7,265	4,811	-	41,240
Drilling	861,596	-	-	-	-	-	-	-	-	-	-	-	861,596
Sampling	878,854	98,314	-	-	25,835	18,273	-	893	206	570	7,371	25,516	1,055,832
Ground geophysics	111,913	-	-	-	-	107	-	-	7,199	51,883	4,910	-	176,012
Airborne geophysics	10,621	7,451	-	-	-	-	-	-	118,822	106,219	26,217	-	269,330
Prospecting	297,225	1,885	-	-	-	-	-	-	-	-	9,149	-	308,259
Community consultations	24,776	-	-	-	-	-	-	-	1,161	325	250	-	26,512
Expenses recovered from partners	(1,369,233)	(94,926)	-	-	-	(13,243)	-	-	-	-	(136,520)	-	(1,613,922)
Write down of mineral property	-	-	-	(740,761)	-	-	-	-	-	-	-	-	(740,761)
	<u>1,916,886</u>	<u>37,518</u>	<u>6,303</u>	<u>(730,363)</u>	<u>28,042</u>	<u>18,439</u>	<u>-</u>	<u>1,133</u>	<u>152,880</u>	<u>178,568</u>	<u>4,375</u>	<u>33,564</u>	<u>1,647,345</u>
	<u>1,722,542</u>	<u>37,668</u>	<u>(39,980)</u>	<u>(866,300)</u>	<u>38,042</u>	<u>41,343</u>	<u>97,618</u>	<u>1,133</u>	<u>157,313</u>	<u>218,212</u>	<u>146,835</u>	<u>33,564</u>	<u>1,587,990</u>

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.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has designed disclosure controls and procedures that provide reasonable assurance that material information relating to the Company is disclosed on a timely basis. Management believes these disclosure controls and procedures were operating effectively as of November 30, 2007.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. Lack of optimal segregation of duties has been observed due to the relatively small size of the Company, but management believes that these weaknesses have been adequately mitigated through management oversight, compensating controls, and a strong control environment.

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 that 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.

CHANGES IN ACCOUNTING POLICIES

Effective December 1, 2006, the Company adopted the following new Canadian Institute of Chartered Accountants' ("CICA") Handbook Sections:

- Section 1530, Comprehensive Income;
- Section 3855, Financial Instruments – Recognition and Measurement;
- Section 3861, Financial Instruments – Disclosure and Presentation, and

- Section 3865, Hedges.

Additional information on the changes is available in Note 3(a) to our financial statements for the year ended November 30, 2007. It is our opinion that these changes will not significantly impact the Company's business operations.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The following new CICA Handbook Sections were adopted by the Company on December 1, 2007:

- Section 3862, Financial Instruments – Disclosures;
- Section 3863, Financial Instruments – Presentation; and
- Section 1535, Capital Disclosures.

Additional information on these standards is available in Note 3(b) to our financial statements. These standards will require additional disclosure regarding the Company's capital and financial instruments.