Shear Minerals Ltd.
(a development stage company)

Consolidated Financial Statements
November 30, 2007 and 2006

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
Shear Minerals Ltd.

We have audited the balance sheets of **Shear Minerals Ltd.** as at November 30, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Edmonton, Alberta

Shear Minerals Ltd.

Balance Sheets

As at November 30, 2007 and 2006

Nature of operations and going concern (note 1)

	2007 $	2006 $
Assets		
Current assets		
Cash and cash equivalents	1,040,035	2,658,440
Restricted cash (note 4)	42,926	42,537
Short-term investments	58,103	95,427
Accounts receivable	292,186	175,671
Operator recoveries	482,160	107,701
Prepaid expenses	23,253	26,920
	1,938,663	3,106,696
Equipment (note 5)	109,485	64,758
Mineral properties (note 6)	23,371,962	14,094,988
	25,420,110	17,266,442
Liabilities		
Current liabilities		
Accounts payable and accruals	985,432	270,854
Deposits from exploration partners	22,552	70,315
	1,007,984	341,169
Future income taxes (note 7)	1,466,853	2,379,622
	2,474,837	2,720,791
Shareholders' Equity		
Share capital (notes 8 and 11)	26,748,597	19,446,611
Contributed surplus (note 8)	2,147,857	1,706,532
Deficit	(5,951,181)	(6,607,492)
	22,945,273	14,545,651
	25,420,110	17,266,442

Commitments (notes 6 and 10)

Subsequent events (notes 6(j) and 11)

Approved by the Board of Directors

(Signed) "Pamela Strand" Director

(Signed) "David Mullen" Director

Shear Minerals Ltd.

Statements of Operations and Deficit

For the years ended November 30, 2007 and 2006

	2007 $	2006 $
Revenue		
Management fees	190,389	79,143
Interest	92,385	94,101
Other revenue	23,400	28,405
	306,174	201,649
Expenses		
General and administrative	475,954	392,761
Management fees (note 9)	127,500	124,500
Professional fees	113,081	117,455
Consulting fees	136,540	68,644
Amortization	32,081	26,068
	885,156	729,428
	(578,982)	(527,779)
Unrealized gain on short-term investments	23,886	22,944
Write down of mineral properties (note 6)	(415,152)	(876,698)
Gain on sale of short-term investments	83,670	-
Loss and comprehensive loss before income taxes	(886,578)	(1,381,533)
Future income tax recovery (note 7)	1,536,689	695,107
Net income (loss) and comprehensive income (loss) for the year	650,111	(686,426)
Deficit – Beginning of year	(6,607,492)	(5,921,066)
Adjustment to the carrying value of short-term investments (note 3)	6,200	-
Deficit – End of year	(5,951,181)	(6,607,492)
Basic and diluted income (loss) per common share (note 2)	0.009	(0.011)
Weighted average number of common shares outstanding	71,475,746	63,304,361

Shear Minerals Ltd.

Statements of Cash Flows

For the years ended November 30, 2007 and 2006

	2007 $	2006 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	650,111	(686,426)
Items not affecting cash		
Amortization	32,081	26,068
Share-based compensation	29,463	17,500
Write down of mineral properties	415,152	876,698
Unrealized gain on short-term investments	(23,886)	(22,944)
Gain on sale of short-term investments	(83,670)	-
Future income tax recovery	(1,536,689)	(695,107)
	(517,438)	(484,211)
Net change in non-cash working capital balances relating to operating activities	(347,662)	(478,855)
	(865,100)	(963,066)
Financing activities		
Issue of shares	6,325,399	4,575,455
Share issue costs	(541,631)	(388,409)
	5,783,768	4,187,046
Investing activities		
Mineral properties, net	(6,260,709)	(2,263,188)
Operator recoveries	(374,459)	80,153
(Increase) decrease in restricted cash	(389)	1,071,177
Purchase of equipment	(52,596)	(12,010)
Net proceeds from sale of short-term investments	151,080	-
	(6,537,073)	(1,123,868)
(Decrease) increase in cash and cash equivalents	(1,618,405)	2,100,112
Cash and cash equivalents – Beginning of year	2,658,440	558,328
Cash and cash equivalents – End of year	1,040,035	2,658,440
Supplementary information		
Interest received	123,427	70,808

1 Nature of operations and going concern

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

Shear Minerals Ltd. (the "Company" or "Shear") is in the business of acquiring and exploring mineral properties located primarily in Canada. The Company has not yet determined whether these properties contain precious mineral reserves that are economically recoverable and the Company is not presently carrying on active exploration efforts on certain of its mineral properties. For the year ended November 30, 2007, the Company reported a net loss before income taxes of $886,578 and an accumulated deficit of $5,951,181. Subsequent to year end, the Company issued flow-through shares for gross proceeds of $3,197,450 (note 11).

To date, the Company has not earned significant revenues and is considered to be in the development stage, and therefore it is subject to risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, continuing losses, dependence on partners, successful development, securing and maintaining title and interest in the properties, and the ability to secure adequate financing to meet the minimum capital required to successfully complete the exploration in the properties (note 6) and continue as a going concern. There is no assurance that these initiatives will be successful and as a result there is substantial doubt regarding the going concern assumption.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

The amounts shown in note 6 represent costs to date for property acquisition (including mineral claims and permits) and exploration expenditures, and do not necessarily reflect present or future values. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

2 Accounting policies

Use of estimates

Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements in accordance with Canadian generally accepted accounting principles for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Consolidation

Effective December 1, 2006, the Company was amalgamated with its wholly owned subsidiary companies 4579 Nunavut Limited and 5098 Nunavut Limited. Amounts from the prior period are thus presented on a consolidated basis. The amalgamation had no effect on the financial statements.

Revenue recognition

Fees for project management are recorded on an accrual basis as services are provided under the respective operating agreements.

Cash and cash equivalents

Cash and cash equivalents are defined as amounts on deposit with banks and readily convertible guaranteed investment certificates with original maturities of less than three months.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method at the following rates:

Office furniture	20% per annum
Computer equipment	30% per annum
Leasehold improvements	33% per annum
Field equipment	20% per annum

Equipment is considered to be impaired when its carrying value exceeds the total cash flows expected from its use and eventual disposition. The amount of impairment is determined as the carrying amount in excess of fair values and is charged to income in the period incurred.

Mineral properties

Direct costs relating to the acquisition, exploration and development of mineral properties, including interest on borrowings directly related to a property, are capitalized on an area of interest basis. When the Company is the operator of a project and incurs costs on behalf of joint venture partners, these costs are periodically charged back to the partners and are recorded as operator recoveries. Operator recoveries are credited to exploration costs. Cumulative expenditures will be charged against income, through unit-of-production depletion, when properties are developed to the stage of commercial production. Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. The impairment of mineral properties is assessed whenever changes in circumstances indicate the carrying amount may not be recoverable and, if an impairment is identified, the properties are written down to estimated fair value. Specifically, if the Company's work program on an area of interest has significantly changed so that it no longer has plans for future exploration, previously deferred costs related to the property are charged to operations.

Income taxes

The asset and liability method is used for determining future income taxes. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Asset retirement obligations

The Company recognizes a liability for retirement obligations associated with long-lived assets, including the abandonment of mineral properties and returning properties to their original condition. Asset retirement costs must be recognized at fair value in the period incurred, along with a corresponding increase in the carrying value of the related long-lived asset. The liability is subsequently adjusted for the passage of time and recognized as an accretion expense in the statement of operations and deficit. The increase in the carrying value of the asset is amortized on the same basis as the related long-term asset. At this time, the Company does not have any significant asset retirement obligations.

Share capital

The Company credits the proceeds of flow-through common shares, which transfer the deductibility of exploration expenses to the investor, to share capital. A future income tax liability is recorded and share capital is reduced by the cost of future income taxes when the Company files the renouncement documents to renounce the tax credits to the holders of these shares, provided there is reasonable assurance that the expenditures will be made.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values. The fair value of common shares is based on the market close on the date that the units are issued and the fair value of the common share purchase warrants is determined using the Black-Scholes option pricing model.

Share-based compensation

The Company grants share options to executive officers, directors and certain consultants pursuant to a share option plan. In addition, from time to time in connection with short form offerings and private placements, the Company issues warrants to agents as commission for services. Awards of share options are accounted for in accordance with the fair value method of accounting for stock-based compensation and result in compensation expense which is recognized over the vesting period with a corresponding credit to contributed surplus. Awards of warrants to agents are also accounted for using the fair value method and result in share issue costs and a credit to contributed surplus when the warrants are issued. Any consideration paid on exercise of share options or warrants is credited to share capital.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, deemed proceeds from the exercise of options and warrants whose exercise prices are below the average market price of the shares are considered to be used to reacquire common shares at the average market price during the year. In years when a loss is incurred, this calculation is anti-dilutive. For the year ended November 30, 2007, the dilutive effect of options and warrants on loss per share was not significant.

Joint interest options

Certain of the Company's exploration activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

3 Accounting policy developments

a) 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.

These standards require that the Company initially recognize all financial assets and financial liabilities on the balance sheet at their fair values. Subsequent to initial recognition, financial instruments are measured at fair value, amortized cost or cost depending on the financial instrument classification.

The Company's financial instruments recognized on the balance sheet consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, operator recoveries and accounts payable and accruals. The Company has no unrecognized financial instruments or derivative financial instruments.

Upon initial recognition, the Company has designated its cash and cash equivalents, restricted cash, and short-term investments as held for trading, and accordingly they are recognized on the balance sheet at their fair values, and changes in fair value are recognized in income in the period in which the change arose. Accounts receivable and operator recoveries have been classified as loans and receivables, and accounts payable and accruals have been classified as other liabilities, all of which are measured at amortized cost.

The fair value of short-term investments is determined by the bid price of the shares at the balance sheet date. The estimated fair market values of the other financial instruments approximate their carrying values due to their short-term maturities.

Regular-way purchases and sales of financial assets will be accounted for using trade-date accounting, and transaction costs on financial instruments other than those classified as held for trading will be recognized in income in the period.

Operator recoveries are due from companies which operate in the mining exploration industry and accordingly, are subject to the risks associated with this industry. It is management's opinion that the Company is not exposed to other significant interest, currency or credit risks arising from its financial instruments.

In accordance with the new policies, an adjustment of $6,200 was made to the Company's deficit as at December 1, 2006 to reflect the recognition of short-term investments at fair value.

b) Recent accounting pronouncements not yet adopted

On December 1, 2007, the Company will adopt the following new CICA Handbook Sections:

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

Handbook Sections 3862 and 3863, which replace CICA Handbook Section 3861, provide expanded disclosure requirements that require additional detail by financial asset and liability categories, and other presentation changes to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. These standards also address presentation of financial instruments and non-financial derivatives and deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and financial liabilities are offset.

Section 1535 requires that an entity disclose information that enables users of financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

The Company is currently evaluating the impact of these standards.

4 Restricted cash

The Company has provided guaranteed investment certificates in the amount of $42,926 (2006 – $42,537) to secure letters of credit in support of the Company's exploration activities.

5 Equipment

			2007
	Cost $	**Accumulated amortization** $	**Net** $
Field equipment	129,778	(67,259)	62,519
Computer equipment	48,546	(29,580)	18,966
Office furniture	15,247	(1,525)	13,722
Leasehold improvements	17,099	(2,821)	14,278
	210,670	(101,185)	109,485

			2006
	Cost $	**Accumulated amortization** $	**Net** $
Field equipment	104,953	48,577	56,376
Computer equipment	28,909	20,527	8,382
	133,862	69,104	64,758

6 Mineral properties

				2007
	Percentage ownership interest %	**Acquisition costs $**	**Exploration costs $**	**Net carrying amount $**
Northwest and Nunavut Territories				
Churchill Diamond Project	58.14	4,598,435	15,360,749	19,959,184
Afridi Lake	58.20	168,332	942,925	1,111,257
XYZ	80.00	180,956	473,937	654,893
Churchill West	26.45	57,785	261,719	319,504
Sakari	50.00	97,618	185,940	283,558
Hecla	100.00	17,102	195,509	212,611
Aylmer Lake West	62.90	10,314	-	10,314
Alberta				
Piche	*51.00	9,973	169,147	179,120
Liege	*51.00	51,492	229,792	281,284
Michigan				
Crystal	100.00	113,864	246,373	360,237
		5,305,871	18,066,091	23,371,962

				2006
	Percentage ownership interest %	**Acquisition costs** $	**Exploration costs** $	**Net carrying amount** $
Northwest and Nunavut Territories				
Churchill Diamond Project	51.88	797,367	10,614,605	11,411,972
Afridi Lake	58.20	125,126	437,205	562,331
XYZ	80.00	170,956	468,483	639,439
Churchill West	26.32	57,261	214,936	272,197
Sakari	50.00	97,618	-	97,618
Hecla	100.00	17,102	191,099	208,201
Alaska				
Shulin Lake	8.20	3,821	230,993	234,814
Alberta				
Piche	51.00	9,973	153,754	163,727
Liege	51.00	51,492	178,568	230,060
Saskatchewan				
Stella Polaris	51.00	142,460	4,375	146,835
Michigan				
Crystal	100.00	2,016	125,778	127,794
		1,475,192	12,619,796	14,094,988

*The Company is in the process of earning into an ownership interest through completion of terms in option agreements (see below).

During 2007, the Company wrote off the carrying amounts related to the Shulin Lake and Stella Polaris properties in the amount of $415,152 as the Company had no current plans for further exploration on these properties.

During 2006, the Company wrote off the carrying amounts related to the Aylmer Lake West property in the amount of $876,698 as the Company had no current plans for further exploration on this property.

Contractual options and commitments

a) Churchill Diamond Project

During 2007, the Company and Stornoway Diamond Corp. ("Stornoway") each acquired one-half of BHP Billiton Diamonds Inc.'s ("BHPB") 12.5% share in the Churchill Diamond Project. The Company acquired its additional 6.25% interest in the Project by paying $1,250,000 in cash and issuing 3,928,571 common shares to BHPB. The Company now holds a 58.14% interest and Stornoway has a 41.86% interest in the diamond rights to the property.

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.

b) Afridi Lake

This project operates under a joint venture agreement with International Samuel Exploration Corporation ("Samuel"), New World Resource Corp. ("New World") and Mantle Resources Inc. ("Mantle"). Shear currently holds a 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. No qualifying kimberlites have been discovered as of November 30, 2007. The Company is also obligated to pay a 5% gross overriding royalty and net smelter fee on production of the property.

c) XYZ

This project operates under a joint venture agreement with Hunter. 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.

d) Churchill West

The Company is currently exploring the Churchill West project with 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 has not participated in the 2006 and 2007 Churchill West exploration programs and its interest in the project has diluted accordingly.

e) Sakari

During 2007, the Company earned into a 50% interest in the Sakari project. Diamonds North Resources Ltd. retains the other 50% interest, and is the operator of the project. The property is subject to a 2% gross overriding royalty on all diamonds and a 2% net smelter royalty on other minerals payable to BHPB.

f) Hecla

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 $1,500,000.

g) Aylmer Lake West

This project operates under a joint venture agreement with Diamondex Resources Ltd. Shear is obligated to pay a 3.5% gross underlying royalty on production from the property.

h) Piche

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 its $500,000 in property expenditures. In addition, Shear has the ability to earn an additional 24% in the property by spending an additional $1,000,000 in exploration expenditures over two years after earning 51%.

i) Liege

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 April 30, 2008.

j) Stella Polaris

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 of the project.

In 2007, pursuant to an agreement between Shear and the vendors, Shear paid an additional $25,000.

Shear entered into an agreement with Lyncorp International Ltd. ("Lyncorp"), a private Alberta company owned by a director of Shear, whereby Lyncorp earned an undivided 49% interest in the property by funding $250,000 in exploration expenditures or acquisition costs.

On January 30, 2008, Shear relinquished all rights in the Property to the vendors.

k) Crystal Project

On May 7, 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. No qualifying kimberlites have been discovered as of November 30, 2007. 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.

7 Income taxes

The income tax provision differs from the amount computed by applying the statutory rates to pre-tax income as a result of the following:

	2007 $	2006 $
Income tax recovery expected based on a combined federal and provincial (territorial) tax rate of 32.29% (2006 – 34.78%)	286,276	483,976
Increase (decrease) in recovery resulting from		
Recognition of non-capital losses and deductible finance fees	1,223,916	-
Impact of tax rate changes	17,078	458,115
Non-taxable portion of investment gains	13,509	-
Unrecognized deductible temporary differences	-	(239,172)
Share-based compensation and other non-deductible items	(4,090)	(7,812)
	1,536,689	695,107

The future income tax assets and liabilities comprise the following temporary differences:

	2007 $	2006 $
Non-capital losses	1,196,552	1,009,620
Deductible finance fees	279,813	217,014
Equipment	34,946	26,256
Valuation allowance	(139,582)	(1,252,890)
Future income tax assets	1,371,729	-
Mineral properties	(2,838,582)	(2,379,622)
Future income tax liabilities	(1,466,853)	(2,379,622)

A future income tax recovery of $1,371,729 occurred in the year ended November 30, 2007 from the elimination of the valuation allowance. Management considers the scheduled reversals of future income tax liabilities, the character of income tax assets and available tax planning strategies of the Company when evaluating the expected realization of future income tax assets. Based on management's estimate of the expected realization of future income tax assets during the current period, the Company eliminated the valuation allowance recorded against future income tax assets to reflect that it is more likely than not that the future income tax assets will be realized.

At November 30, 2007, the Company has non-capital losses for income tax purposes of approximately $4,198,428 which expire as follows:

	Non-capital losses $	Expiry date
November 30, 2001	197,042	2008
2002	292,721	2009
2003	656,382	2010
2004	774,737	2014
2005	487,351	2015
2006	838,976	2026
2007	951,219	2027
	4,198,428	

The losses expiring in 2008 and 2009 have not been recognized as future income tax assets.

8 Share capital and contributed surplus

Common shares

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

Issued and issuable

	2007		2006	
	Common shares #	Amount $	Common shares #	Amount $
Balance – Beginning of year	66,115,353	19,446,611	56,128,421	15,775,692
Shares issued for cash	7,212,000	5,676,582	9,134,664	4,307,908
Share options exercised	501,000	157,745	400,000	100,000
Warrants exercised	326,437	235,710	252,268	95,863
Shares issued for other consideration	4,028,571	2,554,000	200,000	114,000
Share issue costs	-	(698,131)	-	(459,432)
Future income taxes	-	(623,920)	-	(487,420)
Balance – End of year	78,183,361	26,748,597	66,115,353	19,446,611

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, which were renounced to the holders of the flow-through shares on December 31, 2007. 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 values attributable to the non-flow-through common shares and warrants were $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 May of 2006, the Company issued 3,073,500 flow-through shares at a price of $0.70 per share and 1,228,500 units at a price of $0.65 per unit for gross proceeds of $2,949,975. The Company was required to incur $2,151,450 of qualifying expenditures (completed in 2007), which were renounced to the holders of the flow-through shares on December 31, 2006. 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 $0.80 at any time within 18 months of issuance. The fair values attributable to the non-flow-through common shares and warrants were $706,659 and $91,866 respectively. In addition, agents received 284,676 warrants as commission at an exercise price of $0.65 per common share, which expire in November 2007. Related to this, the Company has recorded share-based compensation in the amount of $45,548 as a share issue cost.

In December of 2005, the Company issued 4,832,664 flow-through shares at a price of $0.30 per share for gross proceeds of $1,449,799. The Company was required to incur $1,449,799 of qualifying expenditures (completed in 2006), which were renounced to the holders of the flow-through shares on December 31, 2005. In addition, agents received 318,441 warrants as commission at an exercise price of $0.30 per common share, which expire in December 2006. Related to this, the Company has recorded share-based compensation in the amount of $25,475 as a share issue cost.

In connection with the placements, cash costs totalling $541,631 (2006 – $388,409) were incurred and recorded as share issue costs.

During 2007, the Company issued 100,000 (2006 – 200,000) shares at a value of $79,000 (2006 – $114,000) to acquire and satisfy contractual obligations under certain mineral property agreements. In addition, the Company issued 3,928,571 shares at a value of $2,475,000 to acquire an additional 6.25% of the Churchill Diamond project, as described in note 6(a).

During 2007, the Company renounced $2,151,450 (2006 – $1,449,799) of qualifying expenditures to holders of flow-through shares, resulting in a future income tax liability of $623,920 (2006 – $487,420) and a corresponding reduction of share capital.

Share options

The Company has a share option plan for the benefit of directors, management and certain consultants of the Company. Under the plan, the Company may grant options for up to 10% of the issued common shares. The exercise price of each option may be discounted up to 25% from the market price of the Company's common shares on the date of grant and an option's maximum term is five years.

The following table summarizes activity related to share options:

	2007		2006	
	Number of options outstanding #	**Weighted average exercise price $**	**Number of options outstanding #**	**Weighted average exercise price $**
Balance – Beginning of year	4,900,000	0.57	5,275,000	0.55
Granted	-	-	300,000	0.60
Expired	-	-	(275,000)	0.72
Exercised	(501,000)	0.26	(400,000)	0.25
Balance – End of year	4,399,000	0.60	4,900,000	0.57

The following table summarizes information about the Company's share options outstanding and exercisable:

2007			2006		
Number of options outstanding #	**Weighted average exercise price $**	**Weighted average remaining contractual life Years**	**Number of options outstanding #**	**Weighted average exercise price $**	**Weighted average remaining contractual life Years**
-	-	-	311,000	0.21	0.3
669,000	0.26	0.2	734,000	0.26	1.2
1,525,000	0.84	0.8	1,525,000	0.84	1.8
530,000	0.83	1.2	530,000	0.83	2.2
50,000	0.75	1.8	50,000	0.75	2.8
1,325,000	0.40	2.2	1,400,000	0.40	3.2
-	-	-	50,000	0.41	3.4
300,000	0.60	3.4	300,000	0.60	4.4
4,399,000	0.60	1.4	4,900,000	0.57	2.2

4,399,000 of the share options outstanding were exercisable at November 30, 2007 (2006 – 4,900,000).

No options were granted during 2007.

During 2006, the Company recorded share-based compensation and contributed surplus in the amount of $105,000 related to the 300,000 options granted in the year. The share based compensation was charged to general and administrative expenses - $8,750; professional fees - $8,750; the Churchill mineral property - $78,750; the Crystal mineral property - $4,375; and the Stella Polaris mineral property - $4,375. The compensation expense has been determined based on the fair value of the options at the grant date.

The fair value of each share option granted is estimated on the date of granting the options using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2006
Risk-free rate	3.99%
Expected volatility	88.00%
Annual dividend yield	0.00%
Expected life of options	3 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility of the Company's common shares. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

The following table summarizes the weighted average grant date fair value of options granted during 2006:

	2006	
	Weighted average exercise price $	**Weighted average grant date fair value of options $**
Market price of shares at grant date equal to option exercise price	0.60	0.35

Warrants

The following table summarizes activity related to warrants:

	2007		2006	
	Number of warrants #	**Weighted average exercise price $**	**Number of warrants #**	**Weighted average exercise price $**
Balance – Beginning of year	965,099	0.72	750,000	1.50
Issued	1,838,090	0.90	1,217,367	0.63
Exercised for shares	(326,437)	0.59	(252,268)	0.30
Expired	(49,412)	0.65	(750,000)	1.50
Balance – End of year	2,427,340	0.87	965,099	0.72

The Company has recorded share issue costs in the amount of $156,500, $45,548 and $25,475, respectively, relating to warrants issued to agents in connection with the June 2007, May 2006 and December 2005 private placements. The warrants vested four months from the issue date, and the fair values were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 2007	**May 2006**	**December 2005**
Risk-free rate	4.79%	4.22%	3.94%
Expected volatility	97.00%	80.00%	72.00%
Annual dividend yield	0.00%	0.00%	0.00%
Expected life of warrants	1.5 years	1.5 years	1 year

Contributed surplus

The following table summarizes activity related to contributed surplus:

	2007 $	**2006 $**
Balance – beginning of year	1,706,532	1,458,825
Value of share options granted	-	105,000
Value of share options exercised	(25,035)	-
Value allocated to warrants issued in private placement	323,333	91,866
Value of agent warrants issued	156,500	71,023
Value of agent warrants exercised	(42,936)	(20,182)
Modification of warrants	29,463	-
	2,147,857	1,706,532

During the year, warrants to acquire an aggregate of 589,250 common shares were modified to extend the expiry date to May 19, 2008. Stock-based compensation expense of $29,463 related to this modification is included in general and administrative expense.

9 Related party transactions

During 2007, the Company incurred management fees of $127,500 (2006 – $124,500) to Encore Resources Inc., a company in which certain directors and officers of the Company have 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, a private Alberta company owned by a director of Shear (see note 6(j)).

10 Commitments

Under the terms of an operating lease, the Company is committed to the following future minimum annual payments (excluding operating costs) for the rent of a warehouse facility:

2008	$ 57,570
2009	19,000
	$ 76,570

11 Subsequent events

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, which were renounced to the holders of the flow-through shares on December 31, 2007. 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.

In February 2008, 669,000 share options were exercised for gross proceeds of $179,340.

Subsequent to November 30, 2007, 25,000 share options with an exercise price of $0.40 and 25,000 share options with an exercise price of $0.60 expired.