

Shear Minerals Ltd.

(a development stage company)

Interim Financial Statements

For the three months ended February 28, 2009

(Unaudited)

To the Shareholders of Shear Minerals Ltd.:

The interim balance sheet of Shear Minerals Ltd. as at February 28, 2009, and the interim statements of operations and deficit and of cash flows for the period then ended have been compiled by management.

No audit or review of this information has been performed by the company's auditors.

Shear Minerals Ltd.

Interim Balance Sheets

Nature of operations and going concern (note 1)

	February 28, 2009 (unaudited)	November 30, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 456,766	\$ 132,645
Restricted cash	36,348	36,348
Short-term investments	8,064	4,822
Accounts receivable	24,306	88,144
Operator recoveries	386,087	386,087
Prepaid expenses	13,230	18,897
	<u>924,801</u>	<u>666,943</u>
Equipment	97,016	108,569
Mineral properties (notes 5 and 8)	<u>28,072,700</u>	<u>28,032,445</u>
	<u>\$ 29,094,517</u>	<u>\$ 28,807,957</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 759,181	\$ 1,901,298
Deposits from exploration partners	17,176	17,176
	<u>776,357</u>	<u>1,918,474</u>
Future income taxes	<u>3,163,150</u>	<u>2,587,659</u>
	<u>3,939,507</u>	<u>4,506,133</u>
Shareholders' equity		
Share capital (note 6(a))	29,778,550	29,040,123
Contributed surplus (note 6(d))	2,936,288	2,734,046
Deficit	<u>(7,559,828)</u>	<u>(7,472,345)</u>
	<u>25,155,010</u>	<u>24,301,824</u>
	<u>\$ 29,094,517</u>	<u>\$ 28,807,957</u>
Commitment (note 6(a))		
Subsequent event (note 5(a))		

Approved by the Board of Directors

(Signed) "Pamela Strand"

Director

(Signed) "David Mullen"

Director

Shear Minerals Ltd.

Interim Statements of Operations and Deficit (unaudited)

	Three months ended February 28, 2009	Three months ended February 29, 2008 (Restated— note 4)
Revenue		
Interest	\$ 850	\$ 29,540
Management fees	-	29,205
	<u>850</u>	<u>58,745</u>
Expenses		
General and administrative	108,832	140,913
Professional fees (note 8)	30,279	37,283
Amortization	11,553	10,268
Management fees (note 8)	9,910	30,000
Consulting fees	3,886	5,232
	<u>164,460</u>	<u>223,696</u>
	(163,610)	(164,951)
Unrealized gain on short-term investments	3,242	6,887
Recovery of mineral property expenditures previously written off (note 5(b))	<u>25,000</u>	-
Net loss before income tax	(135,368)	(158,064)
Future income tax recovery	<u>47,885</u>	<u>60,458</u>
Net loss and comprehensive loss	(87,483)	(97,606)
Deficit – beginning of period	<u>(7,472,345)</u>	<u>(5,951,181)</u>
Deficit – end of period	<u>\$ (7,559,828)</u>	<u>\$ (6,048,787)</u>
Basic and diluted loss per share	<u>\$ (0.001)</u>	<u>\$ (0.001)</u>
Weighted average number of common shares outstanding	<u>106,323,532</u>	<u>81,662,157</u>

Shear Minerals Ltd.

Interim Statements of Cash Flows

(unaudited)

	Three months ended February 28, 2009	Three months ended February 29, 2008 (Restated— note 4)
Cash provided by (used in)		
Operating activities		
Net loss for the period	\$ (87,483)	\$ (97,606)
Items not affecting cash		
Amortization	11,553	10,268
Unrealized gain on short-term investments	(3,242)	(6,887)
Recovery of mineral property expenditures previously written off	(25,000)	-
Future income tax recovery	(47,885)	(60,458)
Net change in non-cash working capital (note 7)	49,875	270,082
	<u>(102,182)</u>	<u>115,399</u>
Financing activities		
Issue of shares	1,688,250	3,371,390
Share issue costs	(124,205)	(260,503)
	<u>1,564,045</u>	<u>3,110,887</u>
Investing activities		
Mineral properties	(15,255)	(690,428)
Operator recoveries received	-	25,379
Purchase of equipment	-	(27,595)
Net change in non-cash working capital (note 7)	(1,122,487)	(648,475)
	<u>(1,137,742)</u>	<u>(1,341,119)</u>
Increase in cash and cash equivalents	324,121	1,885,167
Cash and cash equivalents – beginning of period	<u>132,645</u>	<u>1,040,035</u>
Cash and cash equivalents – end of period	<u>\$ 456,766</u>	<u>\$ 2,925,202</u>

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three months ended February 28, 2009
(unaudited)

1. Nature of operations and going concern

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.

These unaudited interim financial statements (the "financial statements") have been prepared using Canadian generally accepted accounting principles applicable to a going concern. As set out below, there are several adverse conditions that cast significant doubt on the validity of this assumption. At February 28, 2009, the Company has no source of operating cash flow, an accumulated deficit of \$7,559,828 (November 30, 2008 - \$7,472,345), and working capital of \$148,444 (November 30, 2008 - working capital deficiency of \$1,251,531). To date, operations have been funded primarily from the issue of share capital.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current financial equity market conditions, the challenging funding environment and the low price of the Company's common shares make it difficult to raise funds by private placements of shares. The junior resource industry has been severely impacted by the world economic situation as it is considered to be a high-risk investment. There is no assurance that the Company will be successful with any financing ventures. The Company is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company is expending its best efforts to achieve its plans by examining various financing alternatives including reorganizations, mergers, sales of assets, and settlement of debts by share issuances or other forms of equity financing, there is no assurance that any such activity will generate funds that will be available for operations.

These financial statements do not reflect any adjustments to the carrying values and classification of assets, or the amounts of and classification of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The amounts shown in note 5 represent costs net of recoveries to date for property acquisition (including mineral claims and permits) and exploration expenditures, less amounts written off, and do not necessarily reflect fair 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.

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2. Basis of presentation

These financial statements are prepared in accordance with generally accepted accounting principles for interim financial statements and do not include all of the disclosures normally contained in the Company's annual financial statements. Since the determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these financial statements requires the use of estimates and assumptions. In the opinion of management, these financial statements have been prepared within reasonable limits of materiality. Except as disclosed in note 3(a), these financial statements follow the same significant accounting policies as described and used in the most recent annual financial statements of the Company for the year ended November 30, 2008 and should be read in conjunction with those annual financial statements.

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

3. Accounting changes

a) Recently adopted accounting pronouncements

i. Goodwill and intangible assets

On December 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Handbook Section 3062, "Goodwill and Other Intangible Assets", and Handbook Section 3450, "Research and Development Costs". Handbook Section 3064 provides more specific guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions in International Financial Reporting Standards ("IFRS"). The adoption of this standard did not have an impact on the Company's financial statements.

ii. Mining exploration costs

In March 2009, the CICA Emerging Issues Committee issued Abstract No. 174, "Mining Exploration Costs" which replaces Emerging Issues Committee Abstract No. 126, "Accounting by Mining Enterprises for Exploration Costs" to provide additional guidance for mining exploration enterprises on when an impairment test is required. The adoption of this standard did not have an impact on the Company's financial statements.

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b) Recent accounting pronouncements not yet adopted

The CICA published the exposure drafts entitled "Adopting IFRSs in Canada" in April 2008 and March 2009. The exposure drafts propose to incorporate IFRS into the CICA Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRS. The Company is reviewing the impact of adopting IFRS on its financial statements.

4. Restatement

In preparing the financial statements for the three months ended February 28, 2009, the Company determined that the future income tax recovery reported in its previously issued unaudited interim financial statements for the three months ended February 29, 2008 was understated by \$60,458. As a result, the comparative figures for the three months ended February 29, 2008 have been restated.

The impact of this restatement on the interim statement of operations and deficit for the three months ended February 29, 2008 is as follows:

	As previously reported	Adjustments	As restated
Future income tax recovery	\$ -	\$ 60,458	\$ 60,458
Net loss and comprehensive loss	(158,064)	60,458	(97,606)
Deficit – end of period	(6,109,245)	60,458	(6,048,787)
Basic and diluted loss per share	(0.002)	0.001	(0.001)

The impact of this restatement on the interim statement of cash flows for the three months ended February 29, 2008 is as follows:

	As previously reported	Adjustments	As restated
Net loss for the period	\$ (158,064)	\$ 60,458	\$ (97,606)
Future income tax recovery	-	60,458	60,458

The impact of this restatement on the interim balance sheet as at February 29, 2008 is as follows:

	As previously reported	Adjustments	As restated
Future income taxes	\$ 3,518,137	\$ (60,458)	\$ 3,457,679
Deficit	(6,109,245)	60,458	(6,048,787)

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5. Mineral properties

February 28, 2009				
	Ownership interest (%)	Acquisition costs	Exploration costs	Net carrying amount
Northwest and Nunavut Territories				
Churchill	58.14	\$ 4,630,886	\$ 19,549,320	\$ 24,180,206
Afridi Lake	58.20	176,767	1,992,561	2,169,328
Churchill West	26.45	66,116	309,633	375,749
Sakari	50.00	97,618	380,437	478,055
Aylmer Lake West	62.90	15,830	348	16,178
Alberta				
Liege	*51.00	98,479	352,808	451,287
Michigan				
Crystal	100.00	123,398	278,499	401,897
		\$ 5,209,094	\$ 22,863,606	\$ 28,072,700
November 30, 2008				
	Ownership interest (%)	Acquisition costs	Exploration costs	Net carrying amount
Northwest and Nunavut Territories				
Churchill	58.14	\$ 4,629,610	\$ 19,523,229	\$ 24,152,839
Afridi Lake	58.20	176,767	1,984,562	2,161,329
Churchill West	26.45	66,116	308,419	374,535
Sakari	50.00	97,618	390,235	487,853
Aylmer Lake West	62.90	10,673	245	10,918
Alberta				
Liege	*51.00	96,435	351,542	447,977
Michigan				
Crystal	100.00	118,598	278,396	396,994
		\$ 5,195,817	\$ 22,836,628	\$ 28,032,445

* The Company is in the process of earning into an ownership interest through completion of terms in an option agreement.

a) Liege

On April 7, 2009, the Company entered into an Amending Agreement to extend the option to acquire a 51% interest in the Liege Diamond project by incurring aggregate

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expenditures of \$1,000,000 by May 31, 2010. There was no consideration paid by the Company under the Amending Agreement.

b) Rattlesnake North

On February 17, 2009, the Company relinquished all rights in the Rattlesnake North property to Grizzly Diamonds Ltd. The carrying amount of the property had previously been written off by the Company at November 30, 2008. During the three months ended February 28, 2009, the Company recovered expenditures of \$25,000 that were included in the November 30, 2008 write down.

6. Share capital and contributed surplus

a) Common shares

Authorized:

Unlimited number of common shares
Unlimited number of preferred shares

Common shares issued and outstanding:

	Number of shares	Amount
Balance – November 30, 2008	87,981,627	\$ 29,040,123
Issued in private placement	24,117,857	1,688,250
Value allocated to warrants issued in private placement	-	(160,175)
Share issue costs (net of future income tax recovery of \$31,051)	-	(135,221)
Future income taxes on renunciation of qualifying expenditures	-	(654,427)
Balance – February 28, 2009	<u>112,099,484</u>	<u>\$ 29,778,550</u>

In December 2008, the Company issued 770,000 units ("Units") at a price of \$0.07 per Unit and 23,347,857 flow-through units ("FT Units") at a price of \$0.07 per FT Unit for total gross proceeds of \$1,688,250. Each Unit consisted of one common share and one non-transferable share purchase warrant ("Warrant"). Each FT Unit consisted of one flow-through share and one-half of a Warrant. Each whole Warrant entitles the holder to acquire an additional common share at a price of \$0.20 at any time within 12 months of issue. The Company is required to incur \$1,627,207 of qualifying expenditures which were renounced to the holders of the flow-through shares effective December 31, 2008. At February 28, 2009, qualifying expenditures of approximately \$1.2 million remain to be incurred to fulfill the commitment. The fair values attributable to the common shares and Warrants issued were \$1,528,075 and \$160,175, respectively. In addition, agents received 1,353,349 Warrants as commission at an exercise price of \$0.10 per common share, which expire in December 2010. Related to

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this, the Company recorded stock-based compensation of \$42,067 as a share issue cost with such amount being credited to contributed surplus.

In the three months ended February 28, 2009, the Company renounced \$2,617,707 (2008 - \$7,197,490) of qualifying expenditures to holders of flow-through shares, resulting in a future income tax liability of \$654,427 (three months ended February 29, 2008 - \$2,051,300) and a corresponding reduction of share capital.

b) Share options

The Company has a stock option plan for the benefit of directors, management and certain consultants of the Company. Under the plan, the Company may grant options to eligible recipients, provided that at the time of the grant the total number of common shares reserved for issuance under the plan does not exceed 10% of the Company's issued and outstanding common shares at that time. 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:

	Number of options outstanding	Weighted average exercise price
Balance – November 30, 2008	4,643,334	\$ 0.57
Expired	(533,334)	0.83
	<hr/>	
Balance – February 28, 2009	4,110,000	\$ 0.54
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Exercisable – February 28, 2009	4,026,668	\$ 0.54
	<hr/>	

c) Warrants

The following table summarizes activity related to warrants:

	Number of Warrants	Weighted average exercise price
Balance – November 30, 2008	2,637,085	\$ 0.78
Issued	13,797,278	0.19
Expired	(504,840)	0.75
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Balance – February 28, 2009	15,929,523	\$ 0.27
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During the three months ended February 28, 2009, the Company recorded share issue costs of \$42,067 (three months ended February 29, 2008 – nil) relating to warrants issued to agents in connection with the December 2008 private placement (note 6(a)). The warrants vest 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:

Number of warrants issued	1,353,349
Weighted average fair value per warrant issued	\$ 0.03
Weighted average assumptions:	
Risk-free rate	1.16%
Expected volatility	93.44%
Dividend yield	0.00%
Expected life	2 years

d) Contributed surplus

The following table summarizes activity related to contributed surplus:

Balance – November 30, 2008	\$ 2,734,046
Value allocated to warrants issued in private placement (note 6(a))	160,175
Value of agent warrants issued (notes 6(a) and 6(c))	<u>42,067</u>
Balance – February 28, 2009	<u>\$ 2,936,288</u>

7. Net change in non-cash working capital

	Three months ended February 28, 2009	Three months ended February 29, 2008
Accounts receivable	\$ 63,838	\$ 208,380
Prepaid expenses	5,667	(1,896)
Accounts payable and accrued liabilities	<u>(1,142,117)</u>	<u>(584,877)</u>
	<u>(1,072,612)</u>	<u>(378,393)</u>
Relating to:		
Operating activities	49,875	270,082
Investing activities	<u>(1,122,487)</u>	<u>(648,475)</u>
	<u>\$ (1,072,612)</u>	<u>\$ (378,393)</u>

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8. Related party transactions

During the three months ended February 28, 2009, the Company incurred fees of \$20,000 (2008 – \$30,000) to Encore Resources Inc., a company in which a director and officer of Shear has significant influence, and \$22,210 (2008 – \$29,265) to a proprietorship controlled by an officer of Shear. These fees are recorded in the financial statements as follows:

	Three months ended February 28, 2009	Three months ended February 29, 2008
Management fees	\$ 9,910	\$ 30,000
Professional fees	22,210	29,265
Mineral properties	10,090	-
	<u>\$ 42,210</u>	<u>\$ 59,965</u>

There was \$33,628 related to these fees recorded in accounts payable and accrued liabilities at February 28, 2009 (November 30, 2008 - \$42,204). In the opinion of management, these fees are considered to be at fair value and are recorded at the exchange amount.