

Shear Minerals Ltd.

(a development stage company)

Interim Financial Statements

For the three and six months ended May 31, 2009

(Unaudited)

To the Shareholders of Shear Minerals Ltd.:

The interim balance sheet of Shear Minerals Ltd. as at May 31, 2009, and the interim statements of operations and deficit and of cash flows for the periods 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)

	May 31, 2009	November 30, 2008
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 302,258	\$ 132,645
Restricted cash	36,711	36,348
Short-term investments	11,028	4,822
Accounts receivable	20,971	88,144
Operator recoveries	232,595	386,087
Prepaid expenses	7,437	18,897
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	611,000	666,943
Equipment	85,463	108,569
Mineral properties (notes 5 and 8)	28,241,609	28,032,445
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	\$ 28,938,072	\$ 28,807,957
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 714,074	\$ 1,901,298
Deposits from exploration partners	17,176	17,176
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	731,250	1,918,474
Future income taxes	3,129,940	2,587,659
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	3,861,190	4,506,133
Shareholders' equity		
Share capital (note 6(a))	29,778,223	29,040,123
Contributed surplus (note 6(d))	2,945,454	2,734,046
Deficit	(7,646,795)	(7,472,345)
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	25,076,882	24,301,824
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	\$ 28,938,072	\$ 28,807,957
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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 May 31,		Six months ended May 31,	
	2009	2008 (Restated— note 4)	2009	2008
Revenue	\$ 534	\$ 70,837	\$ 1,384	\$ 129,582
Expenses				
General and administrative	47,157	409,925	155,989	550,838
Professional fees (note 8)	43,235	156,761	73,514	194,044
Amortization	11,553	11,004	23,106	21,272
Consulting fees	11,386	61,753	15,272	66,985
Management fees (note 8)	10,234	162,500	20,144	192,500
	123,565	801,943	288,025	1,025,639
	(123,031)	(731,106)	(286,641)	(896,057)
Unrealized gain (loss) on short-term investments	2,964	(25,166)	6,206	(18,279)
Recovery of mineral property expenditures previously written off (note 5(b))	-	-	25,000	-
Net loss before income tax	(120,067)	(756,272)	(255,435)	(914,336)
Future income tax recovery	33,100	84,738	80,985	145,196
Net loss and comprehensive loss	(86,967)	(671,534)	(174,450)	(769,140)
Deficit – beginning of period	(7,559,828)	(6,048,787)	(7,472,345)	(5,951,181)
Deficit – end of period	\$ (7,646,795)	\$ (6,720,321)	\$ (7,646,795)	\$ (6,720,321)
Basic and diluted loss per share	\$ (0.001)	\$ (0.008)	\$ (0.002)	\$ (0.009)
Weighted average number of common shares outstanding	112,099,484	88,115,627	109,243,244	82,392,863

Shear Minerals Ltd.
Interim Statements of Cash Flows
(unaudited)

	Three months ended May 31,		Six months ended May 31,	
	2009	2008	2009	2008
		(Restated– note 4)		
Cash provided by (used in)				
Operating activities				
Net loss for the period	\$ (86,967)	\$ (671,534)	\$ (174,450)	\$ (769,140)
Items not affecting cash				
Amortization	11,553	11,004	23,106	21,272
Stock-based compensation (note 6(b))	9,166	583,655	9,166	583,655
Unrealized (gain) loss on short-term investments	(2,964)	25,166	(6,206)	18,279
Recovery of mineral property expenditures previously written off	-	-	(25,000)	-
Future income tax recovery	(33,100)	(84,738)	(80,985)	(145,196)
Net change in non-cash working capital (note 7)	(34,866)	(186,228)	15,009	83,854
	(137,178)	(322,675)	(239,360)	(207,276)
Financing activities				
Issue of shares	-	-	1,688,250	3,371,390
Share issue costs	(437)	-	(124,642)	(260,503)
	(437)	-	1,563,608	3,110,887
Investing activities				
Mineral properties	(15,417)	(2,828,077)	(30,672)	(3,518,505)
Operator recoveries received	-	702,666	-	728,045
Purchase of equipment	-	(12,832)	-	(40,427)
Increase in restricted cash	(363)	(422)	(363)	(422)
Net change in non-cash working capital (note 7)	(1,113)	777,932	(1,123,600)	129,457
	(16,893)	(1,360,733)	(1,154,635)	(2,701,852)
(Decrease) increase in cash and cash equivalents	(154,508)	(1,683,408)	169,613	201,759
Cash and cash equivalents – beginning of period	456,766	2,925,202	132,645	1,040,035
Cash and cash equivalents – end of period	\$ 302,258	\$ 1,241,794	\$ 302,258	\$ 1,241,794

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 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 May 31, 2009, the Company has no source of operating cash flow, an accumulated deficit of \$7,646,795 (November 30, 2008 - \$7,472,345), and a working capital deficiency of \$120,250 (November 30, 2008 - \$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.

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2009
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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 periods 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 a material 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 a material impact on the Company's financial statements.

Shear Minerals Ltd.

Notes to the Interim 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 on its financial statements of adopting IFRS.

4. Restatement

In preparing the financial statements for the three months ended May 31, 2009, the Company determined that the future income tax recovery reported in its previously issued unaudited interim financial statements for the three months ended May 31, 2008 was overstated by \$60,458. As a result, the comparative figures for the three months ended May 31, 2008 have been restated.

The impact of this restatement on the interim statement of operations and deficit for the three months ended May 31, 2008 is as follows:

	As previously reported	Adjustments	As restated
Future income tax recovery	\$ 145,196	\$ (60,458)	\$ 84,738
Net loss and comprehensive loss	(611,076)	(60,458)	(671,534)
Basic and diluted loss per share	(0.007)	(0.001)	(0.008)

The impact of this restatement on the interim statement of cash flows for the three months ended May 31, 2008 is as follows:

	As previously reported	Adjustments	As restated
Net loss for the period	\$ (611,076)	\$ (60,458)	\$ (671,534)
Future income tax recovery	(145,196)	60,458	(84,738)

The restatement did not have an impact on the interim balance sheet as at May 31, 2008 or on the interim financial statements for the six months ended May 31, 2008.

Shear Minerals Ltd.

Notes to the Interim Financial Statements
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5. Mineral properties

	May 31, 2009			
	Ownership interest (%)	Acquisition costs	Exploration costs	Net carrying amount
Northwest and Nunavut Territories				
Churchill	58.14	\$ 4,631,576	\$ 19,633,241	\$ 24,264,817
Afridi Lake	58.20	98,488	2,152,505	2,250,993
Churchill West	26.45	66,116	310,378	376,494
Sakari	50.00	97,618	381,236	478,854
Aylmer Lake West	62.90	15,830	348	16,178
Alberta				
Liege	*51.00	98,479	353,897	452,376
Michigan				
Crystal	100.00	123,398	278,499	401,897
		\$ 5,131,505	\$ 23,110,104	\$ 28,241,609
	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

Shear Minerals Ltd.

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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 six months ended May 31, 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 \$31,161)	-	(135,548)
Future income taxes on renunciation of qualifying expenditures	-	(654,427)
Balance – May 31, 2009	<u>112,099,484</u>	<u>\$ 29,778,223</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 May 31, 2009, qualifying expenditures of approximately \$950,000 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 this, the

Shear Minerals Ltd.

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

In the six months ended May 31, 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 (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
Balance – May 31, 2009	4,110,000	\$ 0.54
Exercisable – May 31, 2009	4,068,334	\$ 0.54

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The Company recorded \$9,166 of stock-based compensation related to stock options vested during the three and six months ended May 31, 2009 (2008 - \$594,043) with such amount being credited to contributed surplus. The stock-based compensation was recorded as follows:

	Three and six months ended May 31,	
	2009	2008
Professional fees	\$ 9,166	\$ 89,222
General and administrative expense	-	312,733
Management fees	-	130,000
Consulting fees	-	51,700
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	9,166	583,655
Mineral properties:		
Crystal	-	5,500
Churchill	-	4,888
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	\$ 9,166	\$ 594,043

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 – May 31, 2009	15,929,523	\$ 0.27

Shear Minerals Ltd.

Notes to the Interim Financial Statements
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During the six months ended May 31, 2009, the Company recorded share issue costs of \$42,067 (2008 – \$nil) relating to warrants issued to agents in connection with the December 2008 private placement (note 6(a)). 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:

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))	42,067
Stock-based compensation (note 6(b))	9,166
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Balance – May 31, 2009	\$ 2,945,454

7. Net change in non-cash working capital

	Three months ended		Six months ended	
	2009	May 31, 2008	2009	May 31, 2008
	<hr/>			
Accounts receivable	\$ 3,335	\$ (160,816)	\$ 67,173	\$ 47,564
Prepaid expenses	5,793	8,769	11,460	6,873
Accounts payable and accrued liabilities	(45,107)	743,751	(1,187,224)	158,874
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	(35,979)	591,704	(1,108,591)	213,311
Relating to:				
Operating activities	(34,866)	(186,228)	15,009	83,854
Investing activities	(1,113)	777,932	(1,123,600)	129,457
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	\$ (35,979)	\$ 591,704	\$ (1,108,591)	\$ 213,311

Shear Minerals Ltd.

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8. Related party transactions

During the three months ended May 31, 2009, the Company incurred fees of \$21,000 (2008 – \$32,500) to Encore Resources Inc., a company in which a director and officer of Shear has significant influence, and \$19,405 (2008 – \$30,561) to a proprietorship controlled by an officer of Shear.

During the six months ended May 31, 2009, the Company incurred fees of \$41,000 (2008 – \$62,500) to Encore Resources Inc., and \$41,615 (2008 – \$60,526) to a proprietorship controlled by an officer of Shear.

These fees are recorded in the financial statements as follows:

	Three months ended May 31, 2009		Six months ended May 31, 2008	
Management fees	\$ 10,234	\$ 32,500	\$ 20,144	\$ 62,500
Professional fees	19,405	30,561	41,615	60,526
Mineral properties	10,766	-	20,856	-
	<u>\$ 40,405</u>	<u>\$ 63,061</u>	<u>\$ 82,615</u>	<u>\$ 123,026</u>

There was \$25,789 related to these fees recorded in accounts payable and accrued liabilities at May 31, 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.