SHEAR MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED AUGUST 31, 2009

GENERAL

This management's discussion and analysis ("MD&A") supplements, but does not form part of, the unaudited interim financial statements of Shear Minerals Ltd. ("Shear" or the "Company") for the three and nine months ended August 31, 2009. The following information, prepared as of October 23, 2009, should be read in conjunction with those statements and with the Company's audited financial statements for the year ended November 30, 2008, both of which have been prepared in accordance with Canadian generally accepted accounting principles. 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.

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 MD&A are considered forward-looking statements. Please refer to "Forward-Looking Information" for a discussion on the risks and uncertainties related to such information.

DESCRIPTION OF BUSINESS

Shear is an exploration stage company focused on diamond exploration. The Company acquires and explores mineral properties located in the Northwest and Nunavut Territories, Alberta, and Michigan. The Company is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange under the symbol SRM.

SUMMARY OF QUARTERLY RESULTS

The following summary of quarterly results is derived from unaudited quarterly financial statements prepared by management:

	2009			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Mineral property expenditures	$ (57,709)	$ (15,417)	$ (40,255)	$ (506,825)	$ (2,626,735)	$ (2,236,039)	$ (445,569)	$ (370,531)
Revenue	25,938	534	850	2,064	8,048	70,837	58,745	60,883
Expenses excluding stock-based compensation	(79,004)	(114,399)	(164,460)	(178,326)	(88,509)	(218,288)	(223,696)	(250,579)
Stock-based compensation expense	-	(9,166)	-	(1,343)	(5,868)	(583,655)	-	(29,463)
Unrealized gain (loss) on short-term investments	52,635	2,964	3,242	(22,100)	(12,902)	(25,166)	6,887	(12,408)
Unrealized loss on derivative financial instrument	(65,063)	-	-	-	-	-	-	-
(Write down) recovery of mineral properties	(837,605)	-	25,000	(285,433)	(869,252)	-	-	(180,338)
Future income tax recovery	222,641	33,100	47,885	397,539	304,058	84,738	60,458	1,468,589
Net (loss) income	(680,458)	(89,967)	(87,483)	(87,599)	(664,425)	(671,534)	(97,606)	411,905
Basic and diluted (loss) income per share	(0.006)	(0.001)	(0.001)	(0.001)	(0.008)	(0.007)	(0.001)	0.014

The Company's revenues are derived mainly from interest on deposits and short-term investments, management fees charged to joint venture partners, and incidental equipment rentals. These items fluctuate from quarter to quarter depending on the amount of property work being done, our outstanding investment balance, and the participation in exploration programs by our joint venture partners. The Company is in the exploration stage and has no revenue from mining operations. The variations in the net loss from quarter to quarter are primarily due to changes in the level of corporate activity as well as non-cash items such as mineral property write-downs net of future income tax recoveries, write-downs and recoveries of short-term investments, stock-based compensation, and changes in the fair value of the Company's derivative financial instrument.

The decline in revenue beginning in 2008 is due primarily to lower management fees charged to a joint venture partner as a result of the partner's election to not participate in the 2008 exploration program. Revenue increased in the current quarter as a result of increased rental of the Company's equipment by third parties. The general decline in expenses excluding stock-based compensation is due to a recent decrease in corporate activity as a result of prevailing economic conditions. The net income in the fourth quarter of 2007 was due to a reduction of $1,113,308 in the valuation allowance recorded against the Company's future income tax assets.

RESULTS OF OPERATIONS

Three Months Ended August 31, 2009

Shear had a net loss of $680,458 for the three months ended August 31, 2009 (three months ended August 31, 2008 – $664,425). The Company's expenses were $79,004 for the three months ended August 31, 2009 compared to $94,377 for the three months ended August 31, 2008, a decrease of $15,373 from the comparative quarter.

General and Administrative Expense

Significant components of general and administrative expense were as follows:

	Three months ended August 31, 2009	Three months ended August 31, 2008
Office expenses	$ 16,956	$ 14,435
Other	11,531	8,031
Corporate travel and tradeshows	3,219	1,169
Regulatory and transfer fees	1,024	1,241
Payroll	537	111
Shareholder communications and promotion	492	3,542
Stock-based compensation	-	2,201
	$ 33,759	$ 30,730

There are no significant changes in general and administrative expense from the comparative quarter. Other general and administrative expense for the current quarter includes $7,366 payable to Canada Revenue Agency related to unspent flow-through funds renounced to shareholders under the look-back rule.

Other Expenses

	Three months ended August 31, 2009	Three months ended August 31, 2008
Professional fees	$ 23,876	$ 38,170
Amortization	11,553	10,704
Management fees	7,138	9,311
Consulting fees	2,678	5,462
	$ 45,245	$ 63,647

Professional fees for the three months ended August 31, 2008 include stock-based compensation of $3,667 related to stock options vested during that quarter. Excluding stock-based compensation, professional fees decreased by $10,627 from the comparative quarter. The decrease is primarily due to a general decline in corporate activity. There are no other significant changes in other expenses from the comparative quarter.

Nine Months Ended August 31, 2009

Shear had a net loss of $854,908 for the nine months ended August 31, 2009 (nine months ended August 31, 2008 – $1,433,565). The Company's expenses were $367,029 for the period compared to $1,120,016 for the nine months ended August 31, 2008, a decrease of $752,987. The decrease in expenses, a decrease in mineral property write-downs of $56,647, and an unrealized gain on short-term investments of $58,841 (2008 - unrealized loss of $31,181) were partially offset by an unrealized loss on derivative financial instrument of $65,063 and decreases of $110,308 and $145,628 in revenue and the future income tax recovery, respectively.

General and Administrative Expense

Significant components of general and administrative expense were as follows:

	Nine months ended August 31, 2009	2008
Other	$ 87,594	$ 9,199
Office expenses	58,844	79,892
Regulatory and transfer fees	18,922	16,079
Corporate travel and tradeshows	14,400	72,827
Shareholder communications and promotion	6,056	18,881
Payroll	3,932	69,756
Stock-based compensation	-	314,934
	$ 189,748	$ 581,568

General and administrative expense decreased by $391,820 from the comparative period, primarily due to a decrease in stock-based compensation and an overall decline in corporate activity.

Other general and administrative expense for the nine months ended August 31, 2009 includes $80,585 incurred to Canada Revenue Agency related to unspent flow-through funds renounced to shareholders under the look-back rule. The decreases of $21,048 in office expenses, $58,427 in corporate travel and tradeshows, $12,825 in shareholder communications and promotion, and $68,758 in payroll and are due to the continuing emphasis on reducing corporate costs that began in the latter part of fiscal 2008. In response to economic conditions, we implemented a number of initiatives to reduce our corporate costs, including reductions in headcount and corporate storage and office facilities, and we also reduced our attendance at investment shows and conferences which has resulted in lower fees and travel expenses in the current year to date.

Other Expenses

	Nine months ended August 31, 2009	2008
Professional fees	$ 97,390	$ 232,214
Amortization	34,659	31,976
Management fees	27,282	201,811
Consulting fees	17,950	72,447
	$ 177,281	$ 538,448

Professional fees for the nine months ended August 31, 2009 include stock-based compensation of $9,166 (2008 - $92,889) related to stock options vested during the period. Excluding stock-based compensation, professional fees decreased by $51,101 from the comparative period primarily due to a decline in corporate activity.

For the nine months ended August 31, 2008, management fees include stock-based compensation of $130,000 related to the stock options grant in the second quarter of 2008. Excluding stock-based compensation, management fees declined $44,529 from the nine months ended May 31, 2008. The decrease in management fees expense is partly due an increase of $12,529 in fees that were charged to the Company's mineral properties as well as an overall reduction in management fees of $32,000 from the comparative period in response to the current economic environment and financial condition of the Company.

Consulting fees for the nine months ended August 31, 2008 include stock-based compensation of $51,700 related to the stock options grant in the second quarter of 2008. Excluding stock-based compensation, consulting fees decreased by $2,797 from the nine months ended May 31, 2008.

FINANCIAL CONDITION

Liquidity and Going Concern

The Company does not generate cash from operations and relies upon the proceeds of private placement financings to support its mineral property acquisition and exploration projects.

In response to the recent economic conditions, the Company has taken measures to reduce general and administrative expenses, including reductions in staff and management fees and the closure of certain corporate storage and office facilities. Shear has no commitments for capital expenditures or contractual obligations for future property option payments. To earn an initial 51% interest in the Liege Diamond Project, the Company will be required to incur additional exploration expenditures of $646,103 on the project by May 31, 2010. At August 31, 2009, qualifying expenditures of approximately $974,000 remain to be incurred by December 31, 2009 related to flow-through share financings completed in December 2008.

At August 31, 2009, the Company had cash and cash equivalents of $231,480 (November 30, 2008 - $132,645) and a working capital deficiency of $255,907 (November 30, 2008 - $1,251,531). The Company will need to raise additional capital to sustain operations and continue as a going concern.

The Company's financial statements were prepared using generally accepted accounting principles applicable to a going concern. As described below, there are several adverse conditions that cast significant doubt on the validity of this assumption (see also "Risks and Uncertainties" in our annual MD&A for the year ended November 30, 2008).

Management intends to raise additional capital to finance exploration expenditures and continue as a going concern. 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, there is no assurance that any such activity will generate funds that will be available for operations.

Recent Financings

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. Each FT Unit consisted of one flow-through share and one-half of a share purchase 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 on December 31, 2008. 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 PARTY TRANSACTIONS

During the three months ended August 31, 2009, the Company incurred fees of $21,000 (2008 – $31,500) to Encore Resources Inc., a company in which a director and officer of Shear has significant influence, and $11,245 (2008 – $19,214) to a proprietorship controlled by an officer of Shear.

During the nine months ended August 31, 2009, the Company incurred fees of $62,000 (2008 – $94,000) to Encore Resources Inc., and $52,860 (2008 – $79,741) to a proprietorship controlled by an officer of Shear.

These transactions were in the normal course of operations and were for management, professional, and geological services received, including fees paid to officers in their capacity as executives of the Company.

These fees are recorded in the financial statements as follows:

	Three months ended August 31, 2009	Three months ended August 31, 2008	Nine months ended August 31, 2009	Nine months ended August 31, 2008
Management fees	$ 7,131	$ 9,311	$ 27,275	$ 71,811
Professional fees	11,245	19,214	52,860	79,741
Mineral properties	13,869	22,189	34,725	22,189
	$ 32,245	$ 50,714	$ 114,860	$ 173,741

There was $41,562 related to these fees recorded in accounts payable and accrued liabilities at August 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.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at October 23, 2009, Shear had 112,099,484 common shares outstanding. The following table provides a summary of Shear's share options and warrants outstanding at October 23, 2009:

Security	Number	Exercise Price ($)	Expiry Date
Share options	1,300,000	0.40	February 22, 2010
Share options	275,000	0.60	April 12, 2011
Share options	1,700,000	0.65	April 15, 2013
Share options	785,000	0.50	April 15, 2013
Warrants	1,333,250	0.95	December 12, 2009
Warrants	286,995	0.75	December 19, 2009
Warrants	210,000	0.30	February 15, 2010
Warrants	302,000	0.40	February 15, 2010
Warrants	8,872,500	0.20	December 19, 2010
Warrants	853,350	0.10	December 19, 2010
Warrants	3,571,429	0.20	December 31, 2010
Warrants	499,999	0.10	December 31, 2010

MINERAL PROPERTIES

During the nine months ended August 31, 2009, expenditures on exploration of the Company's mineral properties were $170,530, not including $243,193 in uncollectible operator recoveries of exploration expenditures that were written-off in the period. For the nine months ended August 31, 2008, gross exploration expenditures were $6,131,905 and operator recoveries of $976,040 were recorded, resulting in net exploration expenditures of $5,155,865 during the period.

The Company's active mineral properties are listed below. The following discussion includes a summary of exploration activities during the current fiscal year to the date of this MD&A and an update to disclosure in documentation filed with regulatory authorities and available for viewing under the Company's profile on SEDAR. Please refer to our most recent annual MD&A for the year ended November 30, 2008 for additional information on our mineral properties.

1. CHURCHILL DIAMOND, NUNAVUT

The Churchill Diamond Project ("Churchill") is comprised of mineral rights to approximately 1.0 million acres near the communities of Rankin Inlet and Chesterfield 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, 88 kimberlites have been discovered on the property, including 9 discovered in 2008. Shear and Stornoway Diamond Corp. ("Stornoway") own 58.14% and 41.86% interests, respectively, in the project. Stornoway has chosen not to participate in the 2008 exploration program and, as a result, Shear's interest in the project could potentially increase to approximately 62%.

The property is subject to a 1% gross overriding royalty and net smelter royalty in favour of the Hunter Exploration Group ("Hunter") and 1% in favour of International Royalty Corp. with respect to the commercial production of diamonds.

On October 14, 2009, the Company agreed to acquire all of the non-diamond rights to the Churchill Diamond Project from Kaminak Gold Corporation ("Kaminak"), together with related datasets. Under the terms of the agreement, Shear will issue 3,000,000 common shares to Kaminak, and Kaminak will retain a 20% back-in right to the non-diamond mineral rights, exercisable at any time up to the completion of an independent bankable feasibility study in accordance with National Instrument 43-101. To exercise the back-in right, Kaminak will be required to repay all of the non-diamond expenditures incurred by Shear, with such expenditures to be repaid within 90 days of the exercise of the back-in right. The transaction is subject to regulatory approval and a 30 day right of first refusal in favour of Stornoway to acquire its pro-rata share (approximately 38%) of the non-diamond rights.

The property hosts 11 high interest, diamond bearing kimberlites:

Kahuna: The Kahuna kimberlite is located within the Josephine River Corridor and is a vertical kimberlite dyke with widths of between 0.5m and 4.7m and that averaged 2.6m in true width from wide spaced drilling. Kahuna trends for more than 5.5 km based on geophysical interpretation. Estimated diamond grade 1.04 cpt (carats per tonne).

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. The Notch North bulk sample was collected 1.5 km north of the main Notch outcrop. Estimated diamond grade 0.82 cpt.

PST: The PST 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. Estimated diamond grade 2.18 cpt.

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. Estimated diamond grade 0.49 cpt.

In 2007 an additional five high interest kimberlites were discovered, including the Meeka kimberlite located southeast of Jigsaw and four narrow unnamed dykes within the Sedna Corridor. In 2008, two new high-interest kimberlites, Killiq and the Kahuna Breccia, were discovered.

Churchill High Interest Kimberlites : Dimensions Implied by Current Drilling							
Kimberlite Name	**Body Type**	**Grade (Carats Per Tonne) for stones >0.85mm**	**Tonnes processed to date**	**Width (m)**	**Length (m)**	**Deepest Drill Intersection (metres below surface)**	**Dip (degrees)**
Kahuna	Dyke	0.95 (1)	356	2.8	5,500	151.6	Vertically-emplaced
Notch	Dyke	0.82	4.93	1.5	3,000	79.5	Vertically-emplaced
North Notch	Dyke	0.8	0.5	1	n/a	n/a	Vertically-emplaced
Jigsaw	Dyke	0.49	5.15	1.3	1,000	n/a	Vertically-emplaced
Meeka	Dyke	n/a	1.8	unknown	500	n/a	Vertically-emplaced
PST 003	Dyke	2.18	3.55	0.8	500	53.9	Vertically-emplaced
Killiq	Dyke	n/a	n/a	0.75	n/a	n/a	Vertically-emplaced

(1) An additional 6.196 carats were recovered from an audit of 15–22% of the tailings indicating a potential grade increase to 1.04 cpt.

2008 Exploration Program – Pending Results

Results pending from the 2008 program include microdiamond analyses from other drilling and prospecting discoveries, indicator mineral results from priority till samples and macrodiamond results from the total of 26.1 wet tonnes collected from the Notch bulk samples. At present, the Notch bulk sample is awaiting processing at the Saskatchewan Research Council.

Chesterfield Inlet Diamond Project

On August 10, 2009, Shear and Stornoway entered into an indicative proposal with Kennecott Canada Exploration Inc. ("Kennecott") to jointly explore certain northern portions of the Churchill Diamond Project. This portion of the Churchill Diamond Project will be referred to as the Chesterfield Inlet Diamond Project (the "Chesterfield Inlet Project").

Under the terms of the proposal, Shear and Stornoway have jointly granted Kennecott the right and option to acquire, subject to existing underlying royalties, up to a 70% interest in the diamond rights to the Chesterfield Inlet Project. Kennecott has a first option to acquire a 51% interest by incurring $100,000 in exploration expenditures before December 31, 2010 and an additional $1,900,000 before December 31, 2012. If the first option is satisfied, Kennecott has a second option to earn into an additional 19% interest by incurring an additional $4,500,000 in exploration expenditures before December 31, 2016. Shear will be the operator of the Chesterfield Inlet Project during the first option. Negotiations on the definitive agreements are currently underway between Shear, Stornoway and Kennecott.

Future Plans

After results from the Notch bulk sample and priority till samples have been received and interpreted, the Company will develop an exploration plan for summer 2010. In addition, a full re-interpretation of geophysical and other data sets is currently underway.

2. CHURCHILL WEST, NUNAVUT

The Company holds the Churchill West project with International Samuel Exploration Corp. ("Samuel"), Stornoway and BHP Billiton Diamonds Inc.("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. Kaminak Gold Corp. 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 project.

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, one of which was diamondiferous.

During the three months ended August 31, 2009, the carrying amount of $435,707 related to the Churchill West property was written-off, as the Company has no further exploration activity planned for the property for the foreseeable future.

3. AYLMER LAKE WEST, NORTHWEST TERRITITORIES

This project operates under a joint venture agreement with Diamondex 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.

Future Plans

At the present time there are no plans for the Aylmer Lake West project. Future work may include the re-interpretation of the known kimberlites to determine whether further sampling of the kimberlites is warranted.

4. AFRIDI LAKE, NORTHWEST TERRITORIES

This project operates under a joint venture agreement with Samuel, New World Resource Corp. (“New World”) and Canada Zinc Metals Corp. (“Canada Zinc” - formerly Mantle Resources Inc.). Shear currently holds a 58.2% interest in the property and Samuel, New World and Canada Zinc have 25.4%, 8.2% and 8.2%, respectively.

On June 30, 2009, the Company entered into a debt settlement agreement with Samuel to settle outstanding operator recoveries of $92,500 receivable from Samuel. Under the agreement, the Company received cash of $86,000 and 50,000 units of Samuel (“Samuel Units”). Each Samuel Unit consisted of one common share of Samuel and one share purchase warrant (“Samuel Warrant”) entitling the holder to acquire an additional Samuel common share at a price of $0.25 at any time within 24 months of issue, provided that the Samuel Warrants must be exercised within 30 days following written notice from Samuel that the Samuel common shares have traded above $0.40 for 10 consecutive trading days.

On July 8, 2009, Shear entered into a debt settlement agreement with New World pursuant to which the Company received 361,461 New World common shares as payment for $46,990 of outstanding operator recoveries.

In addition, operator recoveries of $185,956 were written-off and charged to the mineral property in the three months ended August 31, 2009. The amounts written-off are deemed to be contributed to the project by Shear and, as a result, Shear’s interest in the project will increase to approximately 78%.

The Company is obligated to issue 100,000 of its common shares to Canada Zinc 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 22 mineral claims and three mineral leases (64,000 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.

Future Plans

A remaining 6 priority targets have been identified and designated for drill testing from the 2008 work. A total of 86 geophysical targets suggestive for follow up have been chosen on the property and will be continuously assessed during ongoing exploration. At the present time the joint venture has applied with the Mackenzie Land and Water Board for a land-use permit and is currently in the process of ongoing consultations with stakeholders in anticipation of continued exploration in 2010-2011, subject to budget approvals by joint venture partners.

5. 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. A $10,000 cash finder's fee was paid by Shear under the terms of the agreement. The terms of the agreement were amended on May 1, 2008, such that Shear could 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 November 30, 2009. The Company issued 100,000 common shares as consideration for this first amendment. On April 7, 2009, the expenditure period was extended to May 31, 2010 for no consideration.

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.

Future Plans

Seven priority targets suggestive of kimberlite have been identified and designated for drill testing. At the present time, the Company is applying for all government land-use permits in anticipation of drill testing during the winter 2009-2010 season, additional ground geophysics and prospecting.

6. RATTLESNAKE NORTH, ALBERTA

On February 17, 2009, the Company relinquished all rights in the Rattlesnake North property to Grizzly Diamonds Ltd. The carrying amount of the property of $76,138 was written off in 2008. During the six months ended May 31, 2009, the Company recorded a $25,000 recovery of the amount that was written off in 2008.

7. SAKARI, 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 Resources Inc.'s Amaruk project in the Franklin Kimberlite District of Nunavut. Diamonds North Resources Ltd. retains the other 50% interest in the property and is the operator. The Sakari property is located adjacent to the Darby project where nine kimberlites, including an 11-hectare pipe, have been discovered to date. An airborne geophysical survey has been completed and high priority targets have been identified. In 2008, a total of 18 targets were ground surveyed, and 3 of the targets were tested using a percussion drill. No kimberlite was intersected.

Future Plans

At the present time, there are no immediate plans for the Sakari project.

8. CRYSTAL, MICHIGAN, USA

In 2007, the Company issued 100,000 shares to acquire the Crystal Diamond project in Michigan, USA. The Company is obligated to issue 20,000 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$ 1,000,000 for each whole percentage, and if any fraction of a percentage is purchased, by an amount pro-rated in accordance with the percentage purchased.

During the three months ended August 31, 2009, the carrying amount of $401,898 related to the Crystal property was written-off, as the Company has no further exploration activity planned for the property for the foreseeable future.

ANALYSIS OF ACQUISITION AND EXPLORATION COSTS

	Nine Months Ended August 31, 2009								
	Churchill	Chesterfield Inlet	Churchill West	Aylmer Lake West	Afridi Lake	Liege	Sakari	Crystal	Total
Acquisition Costs									
Expenditures:									
Land tenure	$ 4,064	$ -	$ -	$ 5,157	$ (70,272)	$ 2,044	$ (69,098)	$ 4,800	$ (123,305)
Add:									
Uncollectible operator recoveries	-	-	462	-	-	-	-	-	462
Net additions	4,064	-	462	5,157	(70,272)	2,044	(69,098)	4,800	(122,843)
Write-down of mineral properties	-	-	(66,578)	-	-	-	-	(123,398)	(189,976)
Balance - beginning of year	4,629,610	-	66,116	10,673	176,767	96,435	97,618	118,598	5,195,817
Balance - end of period	4,633,674	-	-	15,830	106,495	98,479	28,520	-	4,882,998
Exploration Costs									
Expenditures:									
General exploration	93,324	2,387	3,473	241	15,618	2,425	(8,010)	104	109,562
Bulk sampling	27,477	-	-	-	-	-	-	-	27,477
Environment	-	-	-	-	39	-	55	-	94
Drilling	4,554	-	-	-	2,780	-	-	-	7,334
Sampling	5,538	-	-	-	-	-	-	-	5,538
Ground geophysics	5,250	-	-	-	1,500	-	-	-	6,750
Airborne geophysics	2,750	-	-	-	-	-	-	-	2,750
Prospecting	11,025	-	-	-	-	-	-	-	11,025
	149,918	2,387	3,473	241	19,937	2,425	(7,955)	104	170,530
Add:									
Uncollectible operator recoveries	-	-	57,237	-	185,956	-	-	-	243,193
Net additions	149,918	2,387	60,710	241	205,893	2,425	(7,955)	104	413,723
Write-down of mineral properties	-	-	(369,129)	-	-	-	-	(278,500)	(647,629)
Balance - beginning of year	19,523,229	-	308,419	245	1,984,562	351,542	390,235	278,396	22,836,628
Balance - end of period	19,673,147	2,387	-	486	2,190,455	353,967	382,280	-	22,602,722
Total - end of period	**$ 24,306,821**	**$ 2,387**	**$ -**	**$ 16,316**	**$ 2,296,950**	**$ 452,446**	**$ 410,800**	**$ -**	**$ 27,485,720**

Nine Months Ended August 31, 2008

	Churchill	Churchill West	Aylmer Lake West	XYZ	Afridi Lake	Piche	Liege	Hecla	Sakari	Rattlesnake North	Crystal	Total
Acquisition Costs												
Expenditures:												
Land tenure	$ 20,714	$ 500	$ 359	$ -	$ 1,165	$ -	$ 16,743	$ -	$ -	$ 800	$ 10,234	$ 50,515
Option costs - cash	-	-	-	-	-	-	-	-	-	25,000	-	25,000
Option costs - shares	-	-	-	-	-	-	28,000	-	-	50,000	-	78,000
Less:												
Expenses recovered from partners	-	(359)	-	-	(678)	-	-	-	-	-	-	(1,037)
Net additions	20,714	141	359	-	487	-	44,743	-	-	75,800	10,234	152,478
Write-down of mineral properties	-	-	-	(180,956)	-	-	-	(17,102)	-	-	-	(198,058)
Balance - beginning of period	4,598,435	57,785	10,314	180,956	168,332	9,973	51,492	17,102	97,618	-	113,864	5,305,871
Balance - end of period	4,619,149	57,926	10,673	-	168,819	9,973	96,235	-	97,618	75,800	124,098	5,260,291
Exploration Costs												
Expenditures:												
General exploration	1,989,093	8,072	34	543	573,842	2,617	10,731	700	29,089	-	3,498	2,618,219
Bulk sampling	47,480	-	-	-	(2,892)	-	-	-	-	-	-	44,588
Environment	66,632	-	69	-	3,684	120	7,366	505	-	-	-	78,376
Drilling	1,090,440	-	-	-	817,516	150	9,539	-	88,353	-	-	2,005,998
Sampling	351,913	17,169	-	-	-	-	-	-	20,000	-	-	389,082
Ground geophysics	302,672	300	-	-	292,009	24,994	88,940	-	67,723	-	250	776,888
Airborne geophysics	(92,939)	107,515	-	-	3,000	-	-	-	(2,766)	-	2,000	16,810
Prospecting	158,040	11,200	-	-	-	-	-	-	1,647	-	14,951	185,838
Community consultations	8,320	305	-	-	5,231	375	1,875	-	-	-	-	16,106
	3,921,651	144,561	103	543	1,692,390	28,256	118,451	1,205	204,046	-	20,699	6,131,905
Less:												
Expenses recovered from partners	(198,380)	(101,454)	-	-	(676,206)	-	-	-	-	-	-	(976,040)
Net additions	3,723,271	43,107	103	543	1,016,184	28,256	118,451	1,205	204,046	-	20,699	5,155,865
Write-down of mineral properties	-	-	-	(474,480)	-	-	-	(196,714)	-	-	-	(671,194)
Balance - beginning of period	15,360,749	261,719	-	473,937	942,925	169,147	229,792	195,509	185,940	-	246,373	18,066,091
Balance - end of period	19,084,020	304,826	103	-	1,959,109	197,403	348,243	-	389,986	-	267,072	22,550,762
Total - end of period	**$ 23,703,169**	**$ 362,752**	**$ 10,776**	**$ -**	**$ 2,127,928**	**$ 207,376**	**$ 444,478**	**$ -**	**$ 487,604**	**$ 75,800**	**$ 391,170**	**$ 27,811,053**

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.

The Company follows the recommendations in Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets" and the CICA Emerging Issues Committee Abstract No. 174, "Mining Exploration Costs". Handbook Section 3063 requires that the Company review long-lived assets, including mineral properties, for impairment. Long-lived assets are assessed for impairment when events and circumstances warrant an assessment.

Resource property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded. The recent economic downturn warranted an assessment of the estimated recoverable amount for the Company's mineral properties. It is management's opinion that the carrying amount of the remaining properties is supported by positive results from recent exploration work and the Company's near-term exploration plans.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect actual present or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the resource property interests. It is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts (see "Financial Condition – Liquidity and Going Concern").

Another significant accounting estimate used by the Company relates to the accounting for stock-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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The following new accounting pronouncements were adopted by the Company in the nine months ended August 31, 2009:

- CICA Handbook Section 3064, "Goodwill and Intangible Assets";
- CICA Emerging Issues Committee Abstract No. 174, "Mining Exploration Costs"

Additional information on these standards is available in Note 3(a) to our financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In October 2009, the CICA published the third and final exposure draft of IFRS entitled "Adopting IFRSs in Canada, III". This exposure draft completes the process of exposing existing IFRS for public comment before they are incorporated into the CICA Handbook. Publicly accountable enterprises will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. The Company is reviewing the impact of IFRS on its financial statements and has begun developing the key elements and timing of an implementation plan. The financial reporting impact of the transition to IFRS cannot be reasonably determined at this time.

FINANCIAL INSTRUMENTS

Derivative Financial Instrument

On August 18, 2009, Company issued a non-transferable option which allows the holder to acquire 361,461 shares of New World from the Company at a price of $0.15 per share. Shear received the New World shares under a debt settlement agreement with New World on July 8, 2009 (see "Mineral Properties – Afridi Lake"). The option was issued to a third party and is exercisable from November 28, 2009 to the earlier of: (a) 14 days after the closing price of the New World shares exceeds $0.25 for 5 consecutive trading days; and (b) May 28, 2010. The option is recorded at fair value, estimated using the Black-Scholes option pricing model, with changes in fair value recognized in the statement of operations and deficit.

Credit Risk

The Company has exposure to credit risk from its use of financial instruments. Operator recoveries are due from companies which operate in the mining exploration industry and, accordingly, are subject to the credit risks associated with this industry. The Company regularly monitors the activities and balances in these accounts to manage its credit risk and to assess the need for an allowance for any doubtful accounts.

The Company is also exposed to credit risk with respect to its cash and cash equivalents. To minimize this risk, cash has been placed with a major financial institution. The total amount of cash is available on demand and is not invested in commercial paper or asset-backed security programs. At August 31, 2009, the maximum exposure to credit risk was the carrying value of the Company's cash and cash equivalents, accounts receivable, and operator recoveries.

Liquidity Risk

Shear is also exposed to liquidity risk from its use of financial instruments. The Company prepares exploration and administration budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing through various means, including equity financing. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. At October 23, 2009, the Company does not have sufficient cash on hand to complete its planned exploration activities and will need to raise additional capital to continue its operations.

Market Risk

The Company is in the exploration stage and commodity prices are not reflected in operating financial results. However, fluctuations in commodity prices may influence financial markets and may indirectly affect the Company's ability to raise capital to fund exploration.

The fair value of the derivative financial instrument is subject to market risk associated with the trading price of the underlying New World shares. In the opinion of management, At August 31, 2009, the impact of this risk on the Company's financial condition and future cash flows is not significant.

It is management's opinion that the Company is not exposed to significant currency or interest rate risks arising from its financial instruments.

FORWARD-LOOKING INFORMATION

This document contains forward-looking information that is based on expectations, assumptions and estimates as of the date of this document. Our forward-looking information is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward looking information. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "plan", "estimate", "should", "may", "could", "would", "target", "objective", "projection", "forecast", "continue", "strategy", or the negative of those terms or other variations of them or comparable terminology.

Examples of such forward-looking information in this document include, but are not limited to, statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- Our intention to raise additional capital (see "Financial Condition – Liquidity and going concern").

This forward-looking statement is subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including the impact of financial equity market and general economic conditions, and volatility of the Company's share price.

In formulating the forward-looking information above, the Company has made assumptions regarding general financial market conditions and the availability of financing.

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this document and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect us. See also “Risks and Uncertainties” in our most recent annual MD&A for a discussion of other risks that affect our business.

RISKS AND UNCERTAINTIES

There has been no significant change to our risk factors from those described in the MD&A for the year ended November 30, 2008. For a detailed discussion of these risk factors see “Risks and Uncertainties” in our annual MD&A dated March 30, 2009.