

Shear Minerals Ltd.

(a development stage company)

Interim Financial Statements

For the three and six months ended May 31, 2010

(Unaudited)

To the Shareholders of Shear Minerals Ltd.:

The interim balance sheet of Shear Minerals Ltd. as at May 31, 2010, 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, 2010	November 30, 2009
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 244,012	\$ 125,660
Restricted cash	36,841	36,711
Short-term investments	23,224	98,471
Accounts receivable	27,736	46,693
Operator recoveries	-	5,099
Prepaid expenses	5,188	21,592
	337,001	334,226
Equipment	32,521	62,358
Mineral properties (note 5)	4,897,286	4,983,602
	\$ 5,266,808	\$ 5,380,186
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 581,335	\$ 893,423
Deposits from exploration partners	104,893	8,270
Derivative financial instrument (note 6)	-	43,375
	686,228	945,068
Shareholders' equity		
Share capital (note 7(a))	31,149,598	30,209,679
Contributed surplus (note 7(d))	3,116,199	2,954,620
Deficit	(29,685,217)	(28,729,181)
	4,580,580	4,435,118
	\$ 5,266,808	\$ 5,380,186

Subsequent events (note 11)

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,	
	2010	2009 (Restated – note 2)	2010	2009 (Restated – note 2)
Revenue	\$ 11,252	\$ 534	\$ 11,252	\$ 1,384
Expenses				
Exploration (notes 2, 8 and 10)	96,956	263,591	907,887	294,943
General and administrative (note 10)	53,211	40,500	96,699	146,932
Professional fees (note 10)	37,688	43,235	64,095	73,514
Management fees (note 10)	9,414	10,234	24,254	20,144
Amortization	8,026	11,553	15,975	23,106
Consulting fees	1,600	950	1,600	2,862
	206,895	370,063	1,110,510	561,501
Loss before the following	(195,643)	(369,529)	(1,099,258)	(560,117)
Gain on disposal of equipment	-	-	9,805	-
Gain on disposal of short-term investments	-	-	7,229	-
Unrealized gain (loss) on short-term investments	245	2,964	(28,257)	6,206
Unrealized gain on derivative financial instrument	-	-	43,375	-
(Write-down of mineral property) recovery of previous write-down	(98,669)	-	(98,669)	25,000
Net loss before income tax	(294,067)	(366,565)	(1,165,775)	(528,911)
Future income tax recovery (note 7(a))	-	-	209,739	654,427
Net income (loss) and comprehensive income (loss)	(294,067)	(366,565)	(956,036)	125,516
Deficit – beginning of period	(29,391,150)	(27,145,532)	(28,729,181)	(27,637,613)
Deficit – end of period	\$(29,685,217)	\$(27,512,097)	\$(29,685,217)	\$(27,512,097)
Basic and diluted income (loss) per share	\$ (0.002)	\$ (0.003)	\$ (0.007)	\$ 0.001
Weighted average number of common shares outstanding	139,752,020	112,099,484	136,767,221	109,243,244

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

	Three months ended		Six months ended	
	2010	May 31, 2009	2010	May 31, 2009
		(Restated – note 2)		(Restated – note 2)
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	\$ (294,067)	\$ (366,565)	\$ (956,036)	\$ 125,516
Items not affecting cash:				
Write-off of operator recoveries	-	153,492	-	153,492
Amortization	8,026	11,553	15,975	23,106
Stock-based compensation	-	9,166		9,166
Gain on disposal of equipment	-	-	(9,805)	-
Gain on disposal of short-term investments	-	-	(7,229)	-
Unrealized (gain) loss on short-term investments	(245)	(2,964)	28,257	(6,206)
Unrealized gain on derivative financial instrument	-	-	(43,375)	-
Write-down of mineral property (recovery of previous write-down)	98,669	-	98,669	(25,000)
Future income tax recovery	-	-	(209,739)	(654,427)
Net change in non-cash working capital (note 9(a))	143,488	(35,979)	150,165	(1,083,591)
	(44,129)	(231,297)	(933,118)	(1,457,944)
Financing activities				
Issue of shares	-	-	1,084,566	1,688,250
Share issue costs	(10,003)	(437)	(73,329)	(124,642)
	(10,003)	(437)	1,011,237	1,563,608
Investing activities				
Acquisition of mineral properties	(1,641)	(690)	(27,875)	(13,967)
Recovery of mineral property acquisition costs	-	78,279	15,522	78,279
Proceeds on disposal of short-term investments	-	-	54,219	-
Purchase of equipment	(1,503)	-	(1,503)	-
Increase in restricted cash	(130)	(363)	(130)	(363)
	(3,274)	77,226	40,233	63,949
(Decrease) increase in cash and cash equivalents	(57,406)	(154,508)	118,352	169,613
Cash and cash equivalents – beginning of period	301,418	456,766	125,660	132,645
Cash and cash equivalents – end of period	\$ 244,012	\$ 302,258	\$ 244,012	\$ 302,258

Non-cash financing and investing activities (note 9(b))

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(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. The Company has no source of operating cash flow and reported a net loss before income tax of \$1,165,775 for the six months ended May 31, 2010 (2009 (restated – note 2) - \$528,911). At May 31, 2010, the Company has an accumulated deficit of \$29,685,217 (November 30, 2009 - \$28,729,181), and a working capital deficiency of \$349,227 (November 30, 2009 - \$610,842). 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 intends to advance its plans through additional equity financing, there is no assurance that any funds that will ultimately 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), 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, 2010
(unaudited)

2. Change in accounting policy

During the year ended November 30, 2009, the Company changed its accounting policy for exploration expenditures to align itself with policies adopted by other exploration stage mining companies. The Company's previous policy was to capitalize all such costs to mineral properties and only write-down capitalized costs when the property was abandoned or if the capitalized costs were not considered to be economically recoverable.

Exploration expenditures are now charged to earnings as they are incurred until the property reaches the development stage. All direct costs related to the acquisition of mineral property interests will continue to be capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. The Company has accounted for this change in accounting policy on a retroactive basis.

The impact of this change on the previously reported interim financial statements for the three months ended May 31, 2009 is as follows:

	As previously reported	Adjustments	As restated
Statement of operations and deficit:			
Exploration of mineral properties	\$ -	263,591	\$ 263,591
General and administrative expense	47,157	(6,657)	40,500
Consulting fees	11,386	(10,436)	950
Future income tax recovery	(33,100)	33,100	-
Net loss and comprehensive loss	(86,967)	(279,598)	(366,565)
Deficit as at February 28, 2009	(7,559,828)	(19,585,704)	(27,145,532)
Deficit as at May 31, 2009	(7,646,795)	(19,865,302)	(27,512,097)
Basic and diluted net loss per share	(0.001)	(0.002)	(0.003)
Statement of cash flows:			
Cash used in operating activities	(137,178)	(94,119)	(231,297)
Cash used in investing activities	(16,893)	94,119	77,226

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

The impact of this change on the previously reported interim financial statements for the six months ended May 31, 2009 is as follows:

	As previously reported	Adjustments	As restated
Statement of operations and deficit:			
Exploration of mineral properties	\$ -	294,943	\$ 294,943
General and administrative expense	155,989	(9,057)	146,932
Consulting fees	15,272	(12,410)	2,862
Future income tax recovery	(80,985)	(573,442)	(654,427)
Net income (loss) and comprehensive income (loss)	(174,450)	299,966	125,516
Deficit as at November 30, 2008	(7,472,345)	(20,165,268)	(27,637,613)
Deficit as at May 31, 2009	(7,646,795)	(19,865,302)	(27,512,097)
Basic and diluted net income (loss) per share	(0.002)	0.003	0.001
Statement of cash flows:			
Cash used in operating activities	(239,360)	(1,218,584)	(1,457,944)
Cash used in investing activities	(1,154,635)	1,218,584	63,949

3. 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. 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, 2009 and should be read in conjunction with those annual financial statements.

4. Recent accounting pronouncements not yet adopted

i. International Financial Reporting Standards

The Canadian Institute of Chartered Accountants ("CICA") published the exposure drafts entitled "Adopting IFRSs in Canada" in April 2008, March 2009, and October 2009. International Financial Reporting Standards ("IFRS") will be incorporated into the Canadian Institute of Chartered Accountants' 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.

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

ii. Business combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which replaces Handbook Section 1581, "Business Combinations", and is equivalent to the corresponding standard in IFRS. The new standard expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The Company is unable to determine the impact of this new standard, since it applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted.

iii. Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", and Handbook Section 1602, "Non-Controlling Interests", which together replace Handbook Section 1600, "Consolidated Financial Statements". The two new sections are equivalent to the corresponding provisions in IFRS. The standards require all entities to report non-controlling interests as equity in financial statements, and provide additional guidance in accounting for transactions between an entity and non-controlling interests by requiring they be treated as equity transactions. The new standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be applied concurrently with Handbook Section 1582. The Company is currently reviewing the standards to determine the impact, if any, on its financial statements.

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

5. Mineral properties

The following is a continuity of acquisition costs for mineral properties:

	Six months ended May 31, 2010				
	Opening balance	Additions	Recoveries	Write-down	Closing balance
Northwest and Nunavut Territories					
Churchill	\$ 4,736,838	\$ 732	\$ -	\$ -	\$ 4,737,570
Other properties	148,285	22,721	(15,522)	-	155,484
Alberta					
Liege	98,479	190	-	(98,669)	-
Manitoba					
Miskamowin	-	4,232	-	-	4,232
	<u>\$ 4,983,602</u>	<u>\$ 27,875</u>	<u>\$ (15,522)</u>	<u>\$ (98,669)</u>	<u>\$ 4,897,286</u>

On December 24, 2009, the Company entered into an option agreement with Takara Resources Inc. ("Takara") to acquire an interest in the Miskamowin Project in Manitoba. Takara is a related party to Shear by virtue of common directors.

Under the terms of the agreement, Shear earned an initial 25% interest in the mineral rights to the project by incurring exploration expenditures of \$340,000 before January 31, 2010. Shear has a second option to earn an additional 24% interest in the mineral rights to the project by incurring additional exploration expenditures of \$500,000 before December 31, 2011 and issuing 1,000,000 common shares to Takara. The Company also has the option to earn a 70% interest in the diamond rights to specific "targets" on the project by completing drill testing and confirming the presence of kimberlite in the targets.

During the three months ended May 31, 2010, the Company wrote-off the carrying amount related to the Liege property as the Company did not incur the required expenditures to earn an interest under the terms of the option agreement on the property.

6. Derivative financial instrument

On August 18, 2009, Company issued a non-transferable covered call option which allowed the holder to acquire 361,461 shares of New World Resource Corp. from the Company at a price of \$0.15 per share. On January 25, 2010, the holder exercised the option and the liability was extinguished.

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

7. 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, 2009	118,993,310	\$ 30,209,679
Issued in private placement	17,758,710	1,084,566
Value allocated to warrants issued in private placement	-	(148,667)
Issued in acquisition of mineral rights and related dataset	3,000,000	300,000
Share issue costs	-	(86,241)
Future income taxes on renouncement of qualifying expenditures	-	(209,739)
	<hr/>	<hr/>
Balance – May 31, 2010	139,752,020	\$ 31,149,598

In December 2009, the Company issued 4,650,000 units ("Units") at a price of \$0.05 per Unit and 13,108,710 flow-through units ("FT Units") at a price of \$0.065 per FT Unit for total gross proceeds of \$1,084,566.

Each Unit consisted of one common share and one flow-through share purchase warrant ("FT Warrant"). Each FT Warrant entitles the holder to acquire a flow-through share at a price of \$0.10 at any time within 12 months of issue. Each FT Unit consisted of one flow-through share and one-half of a common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire an additional common share at a price of \$0.12 at any time within 12 months of issue. The Company is required to incur \$838,957 of qualifying expenditures which were renounced to the holders of the flow-through shares effective December 31, 2009. The fair values attributable to the common shares, Warrants, and FT Warrants issued were \$935,899, \$99,720, and \$48,947, respectively.

In addition, agents received 645,614 "Agent Warrants" from the Company as commission. Each Agent Warrant entitles the holder to acquire one common share at an exercise price of \$0.10 any time within 12 months of issue (note 7(c)).

On December 10, 2009, the Company issued 3,000,000 common shares to Kaminak Gold Corporation to complete the purchase of the non-diamond rights to the Churchill Diamond Project and a related exploration dataset. The total purchase price of \$300,000, consisting of \$100,000 for the non-diamond rights and \$200,000 for the

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

exploration dataset, was included in accounts payable and accrued liabilities at November 30, 2009.

In the six months ended May 31, 2010, the Company renounced \$838,957 (2009 - \$2,617,707) of qualifying expenditures to holders of flow-through shares, resulting in a future income tax liability of \$209,739 (2009 - \$654,427) and a corresponding reduction of share capital. The Company has also recognized deductible temporary differences of \$209,739 in the six months ended May 31, 2010 (2009 - \$654,427) which have been credited to income. At May 31, 2010, qualifying expenditures of approximately \$389,000 remain to be incurred by December 31, 2010 in order to satisfy the commitment related to the flow-through shares issued in December 2009.

b) Stock options

The following table summarizes activity related to stock options:

	Number of options outstanding	Weighted average exercise price
Balance – November 30, 2009	4,060,000	\$ 0.54
Expired	(1,300,000)	0.40
	<hr/>	<hr/>
Balance – May 31, 2010	2,760,000	\$ 0.60

c) Warrants

The following table summarizes activity related to warrants:

	Number of Warrants	Weighted average exercise price
Balance – November 30, 2009	15,929,523	\$ 0.27
Issued	11,849,968	0.11
Expired	(2,132,245)	0.78
	<hr/>	<hr/>
Balance – May 31, 2010	25,647,246	\$ 0.15

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

During the six months ended May 31, 2010, the Company recorded share issue costs of \$12,912 relating to warrants issued to agents in connection with the December 2009 private placement (note 7(a)). The warrants vested four months from the issue dates, and the fair value was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of warrants issued	645,614
Weighted average fair value per warrant issued	\$ 0.02
Weighted average assumptions:	
Risk-free rate	1.42%
Expected volatility	95.80%
Dividend yield	0.00%
Expected life	1 year

d) Contributed surplus

The following table summarizes activity related to contributed surplus:

Balance – November 30, 2009	\$ 2,954,620
Value allocated to Warrants and FT Warrants issued in private placement (note 7(a))	148,667
Value of Agent Warrants issued (note 7(c))	<u>12,912</u>
Balance – May 31, 2010	<u>\$ 3,116,199</u>

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

8. Exploration expense

	Six months ended May 31, 2010				
	Northwest and Nunavut Territories		Liege, Alberta	Miskamowin, Manitoba	Total
	Churchill	Other			
Airborne geophysics	\$ -	\$ 94,635	\$ -	\$ 425,204	\$ 519,839
Drilling	-	1,101	238,539	-	239,640
General exploration	9,925	35,536	42,453	38,590	126,504
Bulk sampling	97,430	-	-	-	97,430
Community consultations	8,860	14,433	-	219	23,512
Other	1,909	-	569	-	2,478
	<u>118,124</u>	<u>145,705</u>	<u>281,561</u>	<u>464,013</u>	<u>1,009,403</u>
Expenses recovered from exploration partners	-	(101,516)	-	-	(101,516)
Exploration expense	<u>\$ 118,124</u>	<u>\$ 44,189</u>	<u>\$ 281,561</u>	<u>\$ 464,013</u>	<u>\$ 907,887</u>
Cumulative costs expensed (active properties)	<u>\$ 20,103,449</u>	<u>\$ 2,538,204</u>	<u>\$ 650,259</u>	<u>\$ 464,013</u>	<u>\$ 23,755,925</u>

	Six months ended May 31, 2009				
	Northwest and Nunavut Territories				Total
	Churchill	Afridi Lake	Other	Alberta properties	
General exploration	\$ 62,505	\$ 10,171	\$ 13,782	\$ 3,205	\$ 89,663
Bulk sampling	21,141	-	-	-	21,141
Prospecting	11,025	-	-	-	11,025
Drilling	4,554	2,780	-	-	7,334
Ground geophysics	5,250	1,500	-	-	6,750
Sampling	5,538	-	-	-	5,538
	<u>110,013</u>	<u>14,451</u>	<u>13,782</u>	<u>3,205</u>	<u>141,451</u>
Write-off of operator recoveries	-	153,492	-	-	153,492
Exploration expense	<u>\$ 110,013</u>	<u>\$ 167,943</u>	<u>\$ 13,782</u>	<u>\$ 3,205</u>	<u>\$ 294,943</u>
Cumulative costs expensed (active properties)	<u>\$ 19,633,241</u>	<u>\$ 2,152,505</u>	<u>\$ 691,962</u>	<u>\$ 353,897</u>	<u>\$ 22,831,605</u>

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

9. Supplemental cash flow information

a) Net change in non-cash working capital

	Three months ended		Six months ended	
	2010	May 31, 2009	2010	May 31, 2009
Accounts receivable	\$ 47,937	\$ 3,335	\$ 18,957	\$ 67,173
Operator recoveries	19,506	-	5,099	-
Prepaid expenses	8,167	5,793	16,404	11,460
Accounts payable and accrued liabilities	(28,745)	(45,107)	13,082	(1,162,224)
Deposits from exploration partners	96,623	-	96,623	-
	<u>\$ 143,488</u>	<u>\$ (35,979)</u>	<u>\$ 150,165</u>	<u>\$ (1,083,591)</u>

b) Non-cash investing and financing activities

	Six months ended	
	2010	May 31, 2009
Fair value of Agent Warrants included in share issue costs (note 7(c))	\$ 12,912	\$ 42,067
Shares issued for acquisition mineral rights and related dataset (note 7(a))	300,000	-
Disposal of equipment to third party as settlement for outstanding accounts payable	25,170	-

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

10. Related party transactions

Related party transactions in these financial statements are as follows:

- a) During the six months ended May 31, 2010, the Company incurred fees of \$42,000 (2009 – \$41,000) to Encore Resources Inc., of which \$24,254 (2009 - \$20,144) was recorded as management fees and \$17,746 (2009 - \$20,856) was recorded as exploration expense. Encore Resources Inc. is a company in which a director of Shear has significant influence.
- b) Shear incurred professional fees of \$38,555 during the six months ended May 31, 2010 to a proprietorship controlled by an officer of Shear (2009 – \$41,870).
- c) During the six months ended May 31, 2010, the Company recorded general and administrative expense of \$10,800 (2009 – nil) for use of the office facilities of Firestone Ventures Inc., a company in which a director and an officer of Shear have significant influence.
- d) During the six months ended May 31, 2010, the Company incurred exploration expense of \$153,875 (2009 - nil) for services received from Lyncorp Drilling Services Inc., a company in which a director of Shear has significant influence.
- e) On December 24, 2009, the Company entered into an option agreement with Takara to acquire an interest in the Miskamowin Project in Manitoba (note 5). Takara is a related party to Shear by virtue of common directors.

In the opinion of management, these fees are considered to be at fair value and are recorded at the exchange amount.

The following balances with related parties are included in the financial statements:

	May 31, 2010	November 30, 2009
Amounts due from related parties included in accounts receivable:		
Takara	\$ 3,705	\$ -
Amounts due to related parties included in accounts payable and accrued liabilities:		
Encore Resources Inc.	\$ 53,893	\$ 28,846
Proprietorship controlled by an officer	40,483	24,728
Lyncorp Drilling Services Inc.	12,459	-
Firestone Ventures Inc.	7,668	-
	\$ 114,503	\$ 53,574

Shear Minerals Ltd.

Notes to the Interim Financial Statements
For the three and six months ended May 31, 2010
(unaudited)

11. Subsequent events

- a) On July 16, 2010, the Company entered into a Purchase and Sale Agreement with Tahera Diamond Corp. and Benachee Resources Inc. (collectively the "Vendors") to acquire a 100% interest in the Jericho Diamond Mine and processing facilities and all supporting exploration assets, located in Nunavut (the "Acquisition").

Pursuant to the Purchase and Sale Agreement, Shear has agreed to purchase: (i) the Jericho Diamond Mine and surface assets; (ii) the Carat Property consisting of mineral leases within 10 kilometres of the Jericho Diamond Mine; (iii) a 50% participating interest in the Polar Property in partnership with DeBeers Canada; (iv) a 75% interest in the Rockinghorse Property in partnership with RioTinto Canada Exploration Inc., and; (v) selected other mineral claims and leases in Nunavut and the Northwest Territories.

In consideration for the Acquisition, Shear will issue an aggregate of 80,000,000 common shares of Shear ("Purchase Shares"), of which 72,000,000 will be issued to CAZ Petroleum Inc. ("CAZ"), the Debtor-In-Possession and secured creditor of the Vendors. Shear will also make cash payments to CAZ totalling \$2,000,000 with \$1,500,000 to be paid on closing and the balance of \$500,000 to be paid on the first anniversary of closing. Shear will grant a 2% royalty on all diamonds and minerals in favour of CAZ, which Shear will have a right of first refusal to repurchase, and CAZ will have the right to nominate one representative to the Board of Directors of Shear. The Purchase Shares will be subject an escrow pursuant to applicable securities laws and requirements of the TSX Venture Exchange.

Completion of the Acquisition is subject to a number of customary conditions, including successful completion by Shear of a minimum \$10,000,000 equity financing, related development work, approval of the TSX Venture Exchange and other applicable regulatory approvals.

- b) On July 23, 2010, the Company announced that it has engaged RBC Capital Markets as lead agent and Macquarie Capital Canada Ltd. to raise approximately \$15 million of equity by way of a marketed private placement of Units and flow-through shares. Each Unit will consist of one common share and one Warrant.

The net proceeds received from the Unit offering will be used to fund the Acquisition. The gross proceeds received from the flow-through share offering will be used to incur qualifying Canadian Exploration Expenditures prior to December 31, 2011. The Company will be required to renounce the qualifying expenditures to subscribers of flow-through shares effective on or before December 31, 2010. The offering is subject to certain conditions including, but not limited to, successful completion of the Acquisition and the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange.