

SHEAR MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED AUGUST 31, 2010

GENERAL

This management's discussion and analysis ("MD&A") supplements, but does not form part of, the unaudited interim consolidated financial statements of Shear Minerals Ltd. ("Shear" or the "Company") for the three and nine months ended August 31, 2010. The following information, prepared as of November 1, 2010, should be read in conjunction with those statements and with the Company's audited financial statements for the year ended November 30, 2009, 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 primarily in the Northwest and Nunavut Territories, Alberta, Manitoba and Michigan. The Company is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange under the symbol SRM.

ACQUISITION

On August 27, 2010, the Company acquired the Jericho Diamond Mine and processing facilities and all supporting exploration assets (collectively, the "Tahera Assets") from Tahera Diamond Corp. and Benachee Resources Inc. (together, the "Vendors"). The Tahera Assets were acquired through Shear Diamonds (Nunavut) Corp., a new wholly-owned subsidiary of Shear.

In consideration for the acquisition of the Tahera Assets (the "Tahera Acquisition"), Shear made a cash payment of \$1,000,000, issued an aggregate of 80,000,000 common shares on the closing date. The Company also issued a \$500,000 non-interest-bearing unsecured note payable, due August 27, 2011, to Caz Petroleum Inc., the secured creditor of the Vendors. Shear also granted a 2% royalty on all diamonds and minerals in favour of Caz Petroleum Inc., which Shear will have a right of first refusal to repurchase.

The purchase price has been calculated as follows:

Cash	\$ 1,000,000
Common shares	4,000,000
Note payable	454,944
Estimated transaction costs	592,255
	<hr/>
	\$ 6,047,199

The value of the common shares issued was based on the average closing price of Shear shares two trading days before, the day of, and two trading days subsequent to the announcement date of July 19, 2010. The fair value of the note payable was estimated based on the present value of the expected cash flows to maturity using the Company's estimated credit-adjusted risk-free rate. Each reporting period, the carrying amount will be accreted to the present value of the principal amount at each balance sheet date, and the accretion will be recorded as interest expense.

The Tahera Acquisition has been recorded as an asset purchase as it does not meet the definition of a business under the Canadian Institute of Chartered Accountants' ("CICA") Emerging Issues Committee Abstract No. 124, "Definition of a Business". The estimated costs were allocated as follows:

Net assets acquired:	
Restricted deposits	\$ 9,290,901
Plant and equipment	1,404,656
Mineral properties	2,277,118
Secured notes	(1,785,283)
Asset retirement obligation	<u>(5,140,193)</u>
	<u>\$ 6,047,199</u>

As a result of the timing of the Tahera Acquisition relative to the Company's reporting schedule, the Company has not yet completed the process of obtaining valuations for the net assets acquired. As a result, the allocation of the purchase price is preliminary and is subject to adjustment. The preliminary purchase price allocation is based on management's best estimates of the fair values of the assets acquired and liabilities assumed as at the acquisition date. Upon finalization, adjustments to the initial estimates may be required, and these adjustments could be material.

In conjunction with the Tahera Acquisition, Shear also purchased exploration data for cash consideration of \$500,000, which was charged to exploration expense in the period.

SUMMARY OF QUARTERLY RESULTS

The following summary of quarterly results is derived from unaudited quarterly financial statements prepared by management. Due to a change in accounting policy relating to exploration expenditures, comparative results presented for prior periods have been restated in our financial statements and this MD&A. Refer to "Change in Accounting Policy" or note 3 to our financial statements for more information.

	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 28,348	\$ 11,252	\$ -	\$ 16,708	\$ 25,938	\$ 534	\$ 850	\$ 2,064
Expenses:								
Exploration ⁽¹⁾	(481,384)	(96,956)	(810,931)	(645,236)	(144,236)	(263,591)	(31,352)	(489,313)
G&A and corporate ⁽²⁾	(114,343)	(109,939)	(92,684)	(158,158)	(75,016)	(97,306)	(160,086)	(178,326)
Stock-based compensation	-	-	-	(9,166)	-	(9,166)	-	7,702
Gain on disposal of equipment	-	-	9,805	-	-	-	-	-
(Loss) gain on disposal of short-term investments	(11,400)	-	7,229	-	-	-	-	-
Unrealized gain (loss) on short-term investments	10,334	245	(28,502)	(18,682)	52,635	2,964	3,242	(22,100)
Unrealized gain (loss) on derivative financial instrument	-	-	43,375	21,688	(65,063)	-	-	-
Write-down of mineral properties	-	(98,669)	-	(28,520)	(189,976)	-	25,000	(85,773)
Future income tax recovery	-	-	209,739	-	-	-	654,427	-
Net loss	\$ (568,445)	\$ (294,067)	\$ (661,969)	\$ (821,366)	\$ (395,718)	\$ (366,565)	\$ 492,081	\$ (765,746)
Basic and diluted net income (loss) per share	\$ (0.004)	\$ (0.002)	\$ (0.005)	\$ (0.007)	\$ (0.004)	\$ (0.003)	\$ 0.005	\$ (0.009)

⁽¹⁾ Excludes stock-based compensation.

⁽²⁾ Consists of general and administrative expense, professional and consulting fees, management fees, and amortization from our financial statements.

The Company is in the exploration stage and has no revenue from mining operations. The Company's revenues are derived mainly from interest on deposits and short-term investments, management fees charged to exploration 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. Revenue increased in the third and fourth quarters of 2009 as a result of increased rental of the Company's equipment by third parties. Revenue in the current year consists mainly of management fees.

The variations in the net loss from quarter to quarter are primarily due to fluctuations in expenses, mineral property write-downs, stock-based compensation, and changes in the fair value of the Company's investments and derivative financial instrument. Exploration expense varies from quarter to quarter depending on the scale and timing of exploration programs. The general decline in general and administrative and corporate expenses beginning in the second quarter of 2009 is the result of decreased corporate activity in response to economic conditions. Expenses have been increasing in 2010 as the Company has increased its activity, and we expect that the Tahera Acquisition will result in a trend of increased expenses in future quarters.

The future income tax recoveries in the first quarters of 2009 and 2010 were recorded as a result of renouncement of qualifying expenditures to holders of the Company's flow-through shares.

RESULTS OF OPERATIONS

Three Months Ended August 31, 2010

Shear had a net loss of \$568,445 for the three months ended August 31, 2010, compared to net loss of \$395,717 for the comparative quarter. An increase in expenses of \$376,476, a decrease of \$42,301 in the unrealized gain on short-term investments, and a realized loss on disposal of short-term investments of \$11,400 contributed to the increase in net loss. These changes were partially offset by decreases of \$65,063 in the unrealized loss on derivative financial instrument and \$189,976 in the write-down of mineral properties from the comparative quarter.

Exploration expense increased by \$337,148 from the three months ended August 31, 2009, primarily due to the purchase of exploration data in conjunction with the Tahera Acquisition, partially offset by increases in expense recoveries from the comparative quarter. Field exploration was conducted on the Chesterfield Inlet project in the current quarter, while there were no field programs in progress during the quarter ended August 31, 2009.

General and Administrative Expense

	Three months ended August 31,	
	2010	2009
Office expenses	\$ 16,828	\$ 13,358
Payroll	14,315	537
Shareholder communications and promotion	9,558	492
Other	5,572	14,873
	<u>\$ 46,273</u>	<u>\$ 29,260</u>

Total general and administrative expense increased by \$17,013 from the comparative quarter. The increase in payroll expense was due to an increase in corporate headcount from the comparative quarter. The decline in other general and administrative expense is due primarily to a reduction from the comparative quarter in the expense incurred to Canada Revenue Agency related to flow-through funds renounced to shareholders under the look-back rule. There were no other significant changes in general and administrative expenses from the three months ended August 31, 2009.

Other Corporate Expenses

	Three months ended August 31, 2009	
	2010	2009
Professional and consulting fees	\$ 18,424	\$ 27,065
Management fees	43,954	7,138
Amortization	5,692	11,553
	\$ 68,070	\$ 45,756

The increase in management fees from the comparative quarter is the result of additional fees paid to directors for advisory services provided in connection with the Tahera Acquisition. There were no significant changes in our other corporate expenses from the three months ended August 31, 2009.

Nine Months Ended August 31, 2010

We recorded a net loss of \$1,524,481 in the nine months ended August 31, 2010, compared to a net loss of \$270,201 in the comparative period. The increase in net loss of \$1,254,280 is due primarily to an increase in expenses of \$925,485, a decrease of \$76,764 in the unrealized gain on short-term investments and a decrease of \$444,688 in the future income tax recovery. These increases in net loss were partially offset by a decrease in the unrealized loss on derivative financial instrument of \$108,438 and a decrease of \$66,307 in the write-down of mineral properties.

Exploration expense has increased by \$950,092 from the nine months ended August 31, 2009. The acquisition of exploration data in conjunction with the Tahera Acquisition, as well as field exploration work conducted on the Liege and Miskamowin properties in the current period, were the primary reasons for the increase. No such activity was performed in the comparative period due to challenging economic conditions and our need to conserve cash during the economic downturn.

General and administrative expense has decreased by \$33,220 from the nine months ended August 31, 2009. A reduction of \$74,889 in amounts incurred to Canada Revenue Agency related to unspent flow-through funds renounced to shareholders under the look-back rule, was partially offset by increases of \$20,653 in payroll expense, and \$13,436 in shareholder communications and promotion expense. The increase in payroll is due to an increase in corporate staff levels from the prior year, and the increased communications and promotion expense reflects the increased level of corporate activity from the comparative period.

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. At August 31, 2010, the Company had no commitments for the purchase of capital assets.

Under the terms of property option agreements, the Company is required to incur exploration expenditures in order to earn interests in the Napajut Lake, and Miskamowin properties (see "Mineral Properties" for details). The payments and expenditures are at the sole discretion of the Company.

At August 31, 2010, qualifying expenditures of \$3,987,222 remain to be incurred by December 31, 2011 in order to satisfy the commitment related to flow-through shares issued on August 27, 2010 (see "Recent Financings").

At August 31, 2010, the Company had cash and cash equivalents of \$10,233,746 (November 30, 2009 - \$125,660) and working capital of \$9,269,817 (November 30, 2009 – working capital deficiency of \$647,553). We estimate that available working capital will be sufficient to sustain operations and complete our anticipated exploration plans through 2011. Actual funding requirements may vary from those planned due to a number of factors, including the progress of our exploration activities.

The \$500,000 note payable to Caz Petroleum Inc. will become payable on August 27, 2011. In addition, the Company has issued secured notes with an aggregate principal amount of \$2,289,124. The Company issued a debenture to the holder of the secured notes granting a security interest in certain of the Tahera Assets, including the plant and equipment located at the Jericho Diamond Mine. The secured notes will become payable on the earlier of: (i) August 27, 2016; (ii) the 90th day following the date on which the Jericho Diamond Mine has operated for a period of 30 consecutive production days at an average rate of not less than 50% of design capacity; and (iii) upon written demand for payment as a result of there being an event of default under the debenture. We do not anticipate that the note payable or secured notes will be retired using our current working capital and, as a result, additional funds may be required to fulfill these obligations.

The Company also has closure and reclamation obligations related to the Jericho Diamond Mine. We have posted cash bonds in support of these obligations, which will be refunded to the Company when the closure and reclamation activities have been completed. The cash bonds are not available for current working capital purposes. We will be obtaining a revised mine closure cost estimate for Jericho Diamond Mine as at December 31, 2010, from which we will be able to evaluate the adequacy of the cash collateral posted for these obligations.

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 recent 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 future financing ventures. The Company is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of

its mineral property interests. There is no assurance that any future financing efforts will generate funds that will be available for operations.

Recent Financings

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 was required to incur \$838,957 of qualifying expenditures which were renounced to the holders of the flow-through shares effective December 31, 2009, and this commitment has been fulfilled as at August 31, 2010. 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.

On August 27, 2010, the Company issued 139,451,000 conventional units ("Conventional Units"), each consisting of one common share and one Warrant (a "Conventional Unit Warrant"), and 62,300,350 flow-through units ("Flow-Through Units"), each consisting of one flow-through share and one-half of one Warrant (each whole Warrant, a "Flow-Through Unit Warrant"). The gross proceeds of the offering were \$13,113,838. The Conventional Units and Flow-Through Units were priced at \$0.065 each. Each Conventional Unit Warrant entitles the holder to acquire one common share at a price of \$0.075 for a period of 48 months following the date of issue. Each Flow-Through Unit Warrant entitles the holder to acquire one common share at a price of \$0.08 at any time within 24 months of issue. The Company is required to incur \$3,987,222 of qualifying expenditures by December 31, 2011, and to renounce the expenditures to subscribers of the flow-through shares effective on or before December 31, 2010. In addition, agents received 12,105,081 Agent Warrants from the Company as commission. Each Agent Warrant entitles the holder to acquire one common share at an exercise price of \$0.075 any time within 48 months of issue.

RELATED PARTY TRANSACTIONS

Related party transactions in these financial statements are as follows:

- During the nine months ended August 31, 2010, the Company incurred fees of \$72,000 (2009 – \$62,000) to Encore Resources Inc., of which \$45,708 (2009 - \$27,275) was recorded as management fees and \$26,292 (2009 - \$34,725) was recorded as exploration expense. Encore Resources Inc. is a company in which a director of Shear has significant influence. The fees were paid for management and geological consulting services received by the Company in the normal course of operations.
- Fees of \$30,000 were incurred in the nine months ended August 31, 2010 (2009 – nil) for consulting services provided by a director of Shear in the normal course of operations, of which \$22,500 was recorded as management fees and \$7,500 was recorded as exploration expense.
- Shear incurred professional fees of \$52,690 during the nine months ended August 31, 2010 to a proprietorship controlled by an officer of Shear (2009 – \$52,860) for management and professional services received.
- During the nine months ended August 31, 2010, the Company recorded general and administrative expense of \$14,400 (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.
- During the nine months ended August 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.
- 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 (see “Mineral Properties – Miskamowin Project”). 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:

	August 31, 2010	November 30, 2009
Amounts due from related parties included in accounts receivable:		
Takara	\$ 2,496	\$ -
Amounts due to related parties included in accounts payable and accrued liabilities:		
Encore Resources Inc.	\$ 84,893	\$ 28,846
Proprietorship controlled by an officer Director of Shear	55,324	24,728
Lyncorp Drilling Services Inc.	30,000	-
Firestone Ventures Inc.	12,459	-
	13,158	-
	\$ 195,834	\$ 53,574

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 1, 2010, Shear had 421,503,370 common shares outstanding. The following table provides a summary of Shear's share options and Warrants outstanding at November 1, 2010:

Security	Number	Exercise Price (\$)	Expiry Date
Stock options	275,000	0.60	April 12, 2011
Stock options	1,700,000	0.65	April 24, 2013
Stock options	785,000	0.50	April 24, 2013
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
Warrants	5,209,461	0.10	December 30, 2010
Warrants	5,938,970	0.12	December 30, 2010
Warrants	615,384	0.12	December 31, 2010
Warrants	86,153	0.10	December 31, 2010
Warrants	139,451,000	0.075	August 27, 2014
Warrants	31,150,174	0.08	August 27, 2012
Warrants	12,105,081	0.075	August 27, 2014

MINERAL PROPERTIES

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, 2009 for additional information on our mineral properties.

1. CHURCHILL DIAMOND, NUNAVUT

The Churchill Diamond Project is comprised of mineral rights to approximately 600,000 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. Shear and Stornoway Diamond Corp. ("Stornoway") own 58.14% and 41.86% interests, respectively, in the diamond rights to the project. Stornoway did not participate in the 2008 exploration program and, as a result, Shear's interest in the project will increase to approximately 62%. The Company owns 100% of the non-diamond rights to the property.

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

Exploration Update

Processing of the mini-bulk sample from the Notch kimberlite was completed with an overall diamond recovery of 0.862 cpt. A total of 129 diamonds greater than 1.18mm were recovered from 17.26 dry tonnes of kimberlite. The five largest recovered stones weigh 0.92, 0.81, 0.77, 0.63, and 0.63 carats.

The results are from two separate surface samples collected by hand trenching along the Notch kimberlite dyke in October 2008. Sample grades are based on diamonds recovered on a 1.18mm square mesh sieve size or larger. A smaller 3.9 tonne sample (see February 11, 2007 news release) returned a +0.85mm sample grade of 0.69 cpt and the 1.18mm sample grade for this 3.9 tonne sample was 0.51 cpt. Complete diamond recoveries were as follows:

Sample Number	Sample Weight Dry (Tonnes)	Diamond Recovery Carats per Tonne (+1.18mm)	Weight of Diamonds Recovered Carats (+0.85mm)	Number of Stones Recovered (+1.18mm)
Notch Bulk Sample	17.26	0.862	14.87	129

Kimberlite	Sample Weight (Dry – kg)	1.18mm Sieve	1.70mm Sieve	2.36mm Sieve	3.35mm Sieve	4.75mm Sieve	6.70mm Sieve	Total Diamond Count
Notch Bulk Sample	17,260	67	36	18	8	0	0	129

Results have been received for 150 priority till samples that were collected in 2008. The samples targeted the heads of previously identified indicator mineral trains to further define the source area. Of the 150 samples, 149 returned kimberlite indicator minerals. The highest count sample was 1,069 kimberlite indicator minerals of which 960 are pyrope garnets in sample 08C460 (all counts are normalized). A total of 41 samples returned pyrope counts in excess of 15 pyrope garnets. These sample results have assisted in further refining the heads of six unsourced indicator mineral trains in both the Sedna and Josephine River corridors. Microprobe results are pending.

Future Plans

Future plans for Churchill are currently being developed, but are expected to include diamond valuations for the Kahuna and Notch kimberlites as well as a field exploration program in 2011.

2. CHESTERFIELD INLET DIAMOND PROJECT, NUNAVUT

Shear and Stornoway entered into an Option and Joint Venture Agreement with Rio Tinto Exploration Canada Inc. ("Rio Tinto") to jointly explore certain northern portions of the Churchill Diamond Project, which are referred to as the Chesterfield Inlet Diamond Project.

The Chesterfield Inlet Diamond Project is owned approximately 62.78% by Shear and 37.22% by Stornoway. The project comprises a group of 35 mineral claims (70,000 acres) located within and near the North Corridor of the larger Churchill Diamond Project. The project area is located approximately 15 km north of the Josephine River Corridor and portions can be accessed by gravel road from the community of Chesterfield Inlet. The project has been outlined based on more than 25 priority geophysical targets suggestive of kimberlites with potential for larger kimberlites. This area covers the North Corridor, an indicator mineral dispersion area based on till samples from 2003-2006 having high count probe-confirmed kimberlitic indicator minerals including pyrope garnet, eclogitic garnet, chrome diopside, ilmenite and chromite.

Under the terms of the Option and Joint Venture Agreement, Shear and Stornoway jointly granted Rio Tinto the right and option to acquire, subject to existing underlying royalties, up to a 70% interest in the diamond rights to the Chesterfield Inlet Diamond Project. Rio Tinto has a first option to acquire a 51% interest in the project by incurring exploration expenditures of \$100,000 before December 31, 2010 and an additional \$1,900,000 in exploration expenditures before December 31, 2012. If the first option is satisfied, Rio Tinto has a second option to earn into an additional 19% interest in the project by incurring an additional \$4,500,000 in exploration expenditures before December 31, 2016. Shear will be the operator of the project during the first option.

A field exploration program was completed during the summer of 2010. An ultra-resolution 2,346 line-kilometre airborne magnetic geophysical survey was completed in May 2010, from which a total of 33 priority targets have been chosen as large tonnage kimberlite targets. A total of 10 high priority targets were tested using a lightweight reverse circulation percussion drill. The balance of the 2010 program included till sampling, prospecting and structural interpretation over high priority geochemical areas, select ground magnetic surveys over new areas, and ongoing environmental baseline data collection and water sampling.

A new high-interest kimberlite discovery, the SAZ kimberlite float, was discovered by prospecting in a series of nine frost boils within a 65 metre area. The kimberlite fragments are weakly magnetic, angular and are believed to be proximal to the source. Visually, the kimberlite is described as being 'typical' of the high diamond potential kimberlites at Churchill ("Type B") with large olivine macrocysts, green-blue phlogopite and visible pyrope garnets. Samples have been collected for analysis by way of caustic fusion as well as petrography. Plans are to review the geophysics with continued prospecting in this immediate area.

Future Plans

Results and sample analyses from the 2010 exploration program are pending. Once results have been received and analysed, further plans will be developed for the project in partnership with joint venture partners.

3. JERICHO DIAMOND PROJECT, NUNAVUT

The Jericho Diamond Project is Nunavut's first and only diamond mine. It is located 420 km northeast of Yellowknife and was acquired in the Tahera Acquisition. The project includes 100% ownership of the past producing Jericho Diamond Mine which produced 780,000 carats of diamonds from 1.2 million tonnes of kimberlite mined from 2006 to 2008 from the open pit operation. In excess of \$200 Million in past investment includes a 2,000 tpd diamond recovery plant, maintenance plant, fuel farm, offices and accommodation for 225 staff and all permits in place. In January 2008, Tahera Diamond Corp. went into protection from its creditors under the Companies' Creditors Arrangement Act.

The property contains a diamond resource, as announced by Shear on July 19, 2010, as follows:

**Mineral Resource Statement⁽¹⁾, Jericho Kimberlite, Nunavut, Canada
SRK Consulting (Canada) Inc, July 21, 2010**

Indicated

Kimberlite Domain	Constrained By	Tonnes	Carats	Grade
North Lobe	Open Pit	720,000	490,000	0.68
Central Lobe, NW, domain 131	Open Pit	673,000	996,000	1.48
	Underground	224,000	332,000	1.48
Mine Stockpiles		156,000	65,000	0.42

Inferred

Kimberlite Domain	Constrained By	Tonnes	Carats	Grade
F1N Lobe	Open Pit	445,000	155,000	0.34
Central Lobe, SE, domain 132	Open Pit	564,000	649,000	1.15
	Underground	34,000	39,000	1.15
South Lobe	Open Pit	671,000	282,000	0.42
	Total Indicated	1,773,000	1,883,000	1.06
	Total Inferred	1,724,000	1,125,000	0.65

⁽¹⁾ The mineral resource was developed at a cut-off of C\$34 per tonne at a diamond value of US\$78 for North lobe, US\$88 for F1N lobe, US\$112 for Central domain 131, US\$106 for Central domain 132 and US\$90 for South lobe, at a currency exchange rate of C\$0.87 per US\$. Mineralized material with an estimated value of less than C\$100 was limited within a Whittle pit shell using costs of C\$5 per tonne mining and C\$34 per tonne processing. Material was evaluated for underground mining at a cut-off of C\$100 per tonne. All mineral resources were cut-off at the 190m level. Diamond recovery is assumed at a bottom size cut-off of 1mm.

⁽²⁾ These results are preliminary in nature and include inferred mineral resources that are considered to speculative geologically to have the economic consideration applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized.

The Company also acquired a 100% interest in the Carat property in the Tahera Acquisition, which encompasses 68,000 acres surrounding the Jericho Diamond Mine. The area has five known kimberlites within 10 km trucking distance to the mine, two unresolved high-interest kimberlite float occurrences, five unresolved kimberlite indicator dispersion trains, and a number of untested geophysical targets.

Future Plans

The Company is currently compiling all data for Jericho and is in the processing of re-interpreting all results. Future plans are currently being finalized, but 2010-2011 milestones for the project include deep drilling of the Jericho kimberlite complex and certain phases within the kimberlite complex, assessment of the surface stockpiles, care and maintenance and required permit renewals. Exploration drilling will test new targets on the surrounding priority targets on the Carat Project.

4. GREAT BEAR PROJECT, NORTHWEST TERRITORIES

The Great Bear Project, obtained in the Tahera Acquisition, includes a 112,000 acre project area approximately 400 km northwest of Yellowknife. The project consists of five sub-projects with 20 known kimberlites, including: (i) a participating 50% interest in the Polar property in partnership with DeBeers Canada; (ii) a 75% interest in the Rockinghorse property in partnership with Rio Tinto; and (iii) a 100% interest in the Ranch Lake Kimberlite.

Four kimberlites have been discovered on the Polar property, including Muskox (928t bulk sample completed with a grade of 0.51 cpt) and Voyageur (17.1t bulk sample completed with a grade of 4 cpht). The Rockinghorse property hosts the Anuri kimberlite, from which 3.09 carats were previously recovered from a 3.98t sample.

Future Plans

Future plans for the Great Bear Project are currently being finalized and will include a compilation study and prospecting program. The Company has just completed re-logging and sampling of the Anuri kimberlite from large diamond drill core collected in 2007. The Company will also process the 28 tonne Anuri bulk sample for diamonds.

5. AFRIDI LAKE, NORTHWEST TERRITORIES

The Afridi Lake Property is comprised of 22 mineral claims and three mineral leases (64,000 acres) located approximately 40 km 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 project (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.

This project operates under a joint venture agreement with International Samuel Exploration Corp. ("Samuel"), New World Resource Corp. ("New World") and Canada Zinc Metals Corp. ("Canada Zinc"). Shear currently holds a 78.6% interest in the property and Samuel, New World and Canada Zinc have 5%, 8.2% and 8.2%, respectively.

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. No qualifying kimberlites have been discovered to date. The Company is also obligated to pay a 5% gross overriding royalty and net smelter fee on production of the property.

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 in anticipation of a 2011 exploration project, subject to budget approvals by joint venture partners. In 2010, the joint venture received final land use permits from the Mackenzie Land and Water Board.

6. 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. 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 with a fair value of \$28,000 as consideration for this first amendment. On April 7, 2009, the expenditure period was further extended to May 31, 2010 for no consideration.

In January 2010, drilling was completed on three targets and the Company determined that the results were not compelling enough to warrant further expenditures to complete the earn-in on the property. As a result, the carrying amount of \$98,669 related to the property was written-off in the nine months ended August 31, 2010.

7. NAPAJUT LAKE GOLD-DIAMOND PROJECT, NUNAVUT

On November 18, 2009, the Company entered into an option agreement to acquire an interest in the Napajut Lake Gold-Diamond Project. The project is located 75 km west-northwest west from the community of Arviat and also 250 km southwest of Shear's Churchill Diamond Project.

Under the terms of the agreement, Shear has an initial option to acquire a 50% interest in the project by incurring exploration expenditures of \$1,500,000 before August 31, 2013, including \$100,000 by August 31, 2010. If the initial option is exercised, Shear will then have a second option to earn an additional 40% interest in the diamond rights to the project by incurring additional exploration expenditures of \$2,000,000 before August 31, 2016. If the second option is completed, the vendor will retain a 10% carried interest in the diamond rights to the property until Shear completes a feasibility study or incurs additional exploration expenditures of \$12,500,000 on the property. The property is subject to a 2.5% net smelter royalty in favour of an underlying vendor.

Future Plans

Once Shear completes an in-house desktop compilation of all available data for gold and diamond potential, Shear will complete planning for 2011. In 2010 Shear completed the legal surveying of five Napajut mineral claims. Shear will be applying to all relevant regulatory authorities for land use permits for drill testing of targets in 2011.

8. MISKAMOWIN PROJECT, MANITOBA

On December 24, 2009, the Company entered into an option agreement with Takara to acquire an interest in the Miskamowin Project in Manitoba. Takara is a related party to Shear by virtue of common directors. The Property is composed of twelve Mineral Exploration Licences prospective for nickel sulphides, covering an area in excess of 265,000 hectares located west of Thompson, Manitoba.

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.

Future Plans

An airborne survey covering the property was completed in December 2009 to confirm geology and identify prospective electromagnetic conductors for future follow up ground work followed by drill testing. High priority Ni-Cu targets have been selected for follow up drill testing. Shear and Takara are currently evaluating the results of the airborne survey in order to determine future plans for the property which may include joint venturing. Land use permits for drill testing are currently being applied for in order to drill test targets in 2011 by Shear, Takara or a partner.

ANALYSIS OF ACQUISITION AND EXPLORATION COSTS

During the nine months ended August 31, 2010, net expenses for exploration of the Company's mineral properties were \$1,389,271 (2009 - \$439,179). Please refer to note 12 of our financial statements for a breakdown of these expenses.

Details of the changes in capitalized acquisition cost balances are as follows:

	Nine Months Ended August 31, 2010					
	Northwest and Nunavut Territories					
	Churchill	Other Properties	Tahera Properties	Liege, Alberta	Miskamowin, Manitoba	Total
Expenditures:						
Acquisition	\$ -	\$ -	\$ 2,277,118	\$ -	\$ -	\$ 2,277,118
Land tenure	-	20,596	-	190	560	21,346
Legal fees	732	7,299	-	-	3,672	11,703
Total expenditures	732	27,895	2,277,118	190	4,232	2,310,167
Less:						
Recoveries	-	(15,422)	-	-	-	(15,422)
Write-down	-	-	-	(98,669)	-	(98,669)
Net additions	732	12,473	2,277,118	(98,479)	4,232	2,196,076
Balance - beginning of period	4,736,838	148,285	-	98,479	-	4,983,602
Balance - end of period	\$ 4,737,570	\$ 160,758	\$ 2,277,118	\$ -	\$ 4,232	\$ 7,179,678

	Nine Months Ended August 31, 2009				
	Northwest and Nunavut Territories				
	Churchill	Other Properties	Alberta Properties	Crystal, Michigan	Total
Expenditures:					
Land tenure	\$ 4,064	\$ 13,626	\$ 2,044	\$ 4,800	\$ 24,534
Less:					
Recoveries	-	(147,377)	(25,000)	-	(172,377)
Write-downs	-	(66,578)	25,000	(123,398)	(164,976)
Net additions	4,064	(200,329)	2,044	(118,598)	(312,819)
Balance - beginning of period	4,629,610	351,174	96,435	118,598	5,195,817
Balance - end of period	\$ 4,633,674	\$ 150,845	\$ 98,479	\$ -	\$ 4,882,998

ACCOUNTING POLICIES

The Company's significant accounting policies are described in note 3 to our most recent annual financial statements for the year ended November 30, 2009.

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 August 31, 2009 is as follows:

	As previously reported	Adjustments	As restated
Statement of operations and deficit:			
Exploration of mineral properties	\$ -	144,236	\$ 144,236
General and administrative expense	33,759	(4,499)	29,260
Professional and consulting fees	26,554	510	27,064
Write-down of mineral property	(837,605)	647,629	(189,976)
Future income tax recovery	222,641	(222,641)	-
Net loss and comprehensive loss	(680,458)	284,741	(395,717)
Deficit as at May 31, 2009	(7,646,795)	(19,865,302)	(27,512,097)
Deficit as at August 31, 2009	(8,327,253)	(19,580,561)	(27,907,814)
Basic and diluted net loss per share	(0.006)	0.002	(0.004)
Statement of cash flows:			
Cash used in operating activities	(90,769)	30,558	(60,211)
Cash used in investing activities	19,991	(30,558)	(10,567)

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

	As previously reported	Adjustments	As restated
Statement of operations and deficit:			
Exploration of mineral properties	\$ -	439,179	\$ 439,179
General and administrative expense	189,748	(13,556)	176,192
Professional and consulting fees	115,340	(11,900)	103,440
Write-down of mineral property	(812,605)	647,629	(164,976)
Future income tax recovery	303,626	350,801	654,427
Net income (loss) and comprehensive income (loss)	(854,908)	584,707	(270,201)
Deficit as at November 30, 2008	(7,472,345)	(20,165,268)	(27,637,613)
Deficit as at May 31, 2009	(8,327,253)	(19,580,561)	(27,907,814)
Basic and diluted net income (loss) per share	(0.008)	0.006	(0.002)
Statement of cash flows:			
Cash used in operating activities	(330,129)	(1,188,026)	(1,518,155)
Cash used in investing activities	(1,134,644)	1,188,026	53,382

International Financial Reporting Standards

In October 2009, the CICA published the third and final exposure draft of International Financial Reporting Standards (“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.

The Company’s IFRS implementation project will consist of three primary phases as follows:

- Scoping and diagnostic phase – This phase involves performing a high-level impact assessment to identify key areas that may be affected by the transition to IFRS.
- Impact analysis, evaluation and design phase – This phase includes a detailed comparison of accounting and disclosure differences between Canadian generally accepted accounting principles and IFRS, including an analysis of accounting policy alternatives allowed under IFRS and specification of changes required to existing policies and business processes.
- Implementation and review phase – This phase will include final policy selection with the culmination of the necessary data required to prepare IFRS-compliant financial

statements and disclosures and any necessary adjustments to other business processes that may be impacted.

We had planned to commence the scoping and diagnostic phase of the project in the third quarter of 2010, but have deferred the start of this phase until the first quarter of 2011. Internal resources that had been planned for the IFRS conversion have instead been reallocated to other projects in support of the Company's increase in activity resulting from the Tahera Acquisition.

FINANCIAL INSTRUMENTS

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.

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, and restricted deposits. To minimize this risk, cash has been placed with a major financial institution. Except for restricted deposits, the total amount of cash is available on demand and is not invested in commercial paper or asset-backed security programs. At August 31, 2010, the maximum exposure to credit risk was the carrying value of the Company's cash and cash equivalents, accounts receivable, operator recoveries, and restricted deposits.

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.

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.

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 expectation that general and administrative and corporate expenses will increase as a result of the Tahera Acquisition (see “Summary of Quarterly Results”);
- Our estimate that available working capital will be sufficient to sustain operations and complete anticipated exploration plans to the end of 2011 (see “Financial Condition – Liquidity and going concern”) and;
- Our assessment that financing may be necessary in order to retire the secured notes (see “Financial Condition – Liquidity and Going Concern”); and
- The discussion of future plans for all of our exploration properties (see “Mineral Properties”).

This forward-looking statement is subject to numerous risks and uncertainties, certain of which are beyond the Company’s control, including the impact of general economic conditions, volatility in the price levels for supplies and services, successful execution of planned exploration programs, and the availability of personnel.

In formulating the forward-looking information above, the Company has made assumptions regarding general financial market conditions, the availability of personnel, and the price levels for supplies and services.

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.

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, 2009. For a detailed discussion of these risk factors see “Risks and Uncertainties” in our annual MD&A dated March 25, 2010.