



Jericho Diamond Mine Water Licence Renewal Executive Summary

The Jericho Diamond Mine is located approximately 260 km southeast of Kugluktuk, NU and 30 km north of Lupin Mine. The Jericho Mine was constructed and operated by Tahera Diamond Corporation (TDC) between 2004 and 2008. In August of 2010, Shear Diamonds (Nunavut) Corp. (Shear) purchased the Jericho Mine and its assets and assumed the responsibility for the site. The water licence has been assigned to Shear and an amendment application to the term of the water licence has been approved with an issuance of a one year extension from March 1, 2011 to March 1, 2012.

The project has been on Care and Maintenance since June 2008. Shear submitted a Care and Maintenance Plan on January 31, 2011 for review and approval. The mine will remain under Care and Maintenance as Shear evaluates the mineral resource. Upon completion of the evaluation, the mine plan will be reviewed and an operations schedule for the project will be determined.

A compliance assessment was submitted to the Nunavut Water Board in November 2010 to satisfy the requirement for renewal of the water licence. This assessment indicated a number of non-compliances that existed at the time of purchase. A number of plans required under the water licence issued to the previous owner had not been submitted and/or approved. Shear has prepared and updated the plans required under the water licence and has enclosed them as part of the water licence renewal package.

Once Shear has completed a resource evaluation and investigated the milling and processing capabilities of the existing infrastructure further updates to the plans being submitted may be required. Shear will review all plans and will provide adequate notice prior to resuming production.