



NIRB File No.: 00MN059

August 7, 2012

Julie Lassonde
Executive Chairperson and CEO
Shear Diamonds Ltd.
Suite 220, 6 Adelaide Street East
Toronto, ON M5C 1H6

Sent via email: jlassonde@sheardiamonds.com

Re: Requested Update Regarding Outstanding Reports for the Jericho Diamond Project

Dear Julie Lassonde:

On August 23, 2011 the Nunavut Impact Review Board (NIRB) reassigned Project Certificate No. 002 (Jericho Project Certificate) to Shear Diamonds Ltd. (Shear; the Proponent). Numerous reporting requirements as defined through the NIRB's monitoring program established pursuant to Sections 12.7.1 and 12.7.2 of the Nunavut Land Claims Agreement thus became the responsibility of Shear. The NIRB would like to remind Shear that the following reports are still outstanding:

1. **2010 Annual Report:** As outlined in Appendix D of the Jericho Project Certificate, the Proponent is required to submit an annual report to the NIRB by April 30th of each year.
2. **Quarterly Reports for 2010:** In accordance with Appendix D of the Jericho Project Certificate, the Proponent is required to submit quarterly reports to the NIRB for the periods ending in October, January, April, and July each year.
3. **Wildlife Monitoring and draft Wildlife Mitigation and Monitoring Plan (WMMP):** With respect to conditions 3, 10-16, and 18 of the Jericho Project Certificate, in correspondence dated June 3, 2011 Shear informed the NIRB that it would be developing a caribou monitoring program and draft WMMP for distribution. The NIRB expected this submission to include a summary of how the Proponent intends to be compliant with condition 10 of the Jericho Project Certificate, as well as a discussion regarding Shear's anticipated timeframe to resume active site monitoring and the subsequent delivery of a wildlife monitoring report to include an Annual Wildlife Data Report. As of the date of this letter the NIRB has not received these documents or any updates regarding anticipated submission dates for these materials.
4. **Issues of non-compliance issues from the NIRB's 2011 Site Visit:** as specifically pertaining to conditions 31, 34, and 35 of the Jericho Project Certificate, non-compliance

issues were noted as a result of the August 17-19, 2011 Jericho site visit. The Proponent has not met the requirements of condition 34, as the waste transfer containment area near the airstrip was not completely contained (berm was not enclosed) and the liner was ripped in several locations. The Proponent has not proven to be compliant with conditions 31 and 35 as it has not provided the NIRB with required information regarding the options for additional divider/barriers or dykes in the processed kimberlite containment area (PKCA) or a revised Waste Management Plan. In addition to addressing the non-compliance issues as outlined above, the NIRB requires updated information regarding Shear's efforts to maintain compliance with the Jericho Project Certificate. In correspondence dated November 21, 2011 Recommendation #6, the Board requested that Shear provide a plan of action to address the issues of non-compliance relating to conditions 31, 34, and 35 of the Jericho Project Certificate and specifically, to include an outline of Shear's proposed approach to achieving compliance with each condition and a timeline for implementation.

5. **Notice of Atmospheric Monitoring Station Installation:** On November 21, 2011 in Recommendation #8, the Board requested that Shear complete installation of the repaired meteorological station as required by condition 5 of the Jericho Project Certificate and provide notice to the NIRB upon completion of this work.
6. **2011 Annual Report:** As outlined in Appendix D of the Jericho Project Certificate, the Proponent is required to submit an annual report to the NIRB by April 30th of each year. Additional Annual Submissions should include:
 - a. **Air Quality Monitoring Report:** due March 31st of each year
 - b. **Annual Environmental Monitoring Report:** due April 30th of each year
 - c. **Updated Abandonment and Restoration Plan:** due April 30th of each year
 - d. **Aquatic Effects Monitoring Program:** due annually in April/May
7. **Quarterly Reports for 2011:** In accordance with Appendix D of the Jericho Project Certificate, the Proponent is required to submit quarterly reports to the NIRB for the periods ending in October, January, April, and July each year.
8. **Quarterly Reports for 2012:** In accordance with Appendix D of the Jericho Project Certificate, the Proponent is required to submit quarterly reports to the NIRB for the periods ending in January, April, and July, 2012.

The Board respectfully requests that the Proponent submit a response to the above list of outstanding reports within 30 days of receiving this correspondence. If a response is not possible within this timeframe, the NIRB asks that you notify our office of the estimated date for submission of this information at your earliest convenience.

Should you have any questions, please do not hesitate to contact the undersigned at 867-983-4611 or tarko@nirb.ca.

Sincerely,



Tara Arko
Technical Advisor
Nunavut Impact Review Board

Cc: Phyllis Beaulieu, NWB
Murray Ball, AANDC
Jeff Mercer, AANDC
Derrick Moggy, DFO
Chris Lewis, DFO
Jericho Distribution List