



NIRB File No.: 00MN059

December 7, 2012

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

Sent via email: info@sheardiamonds.com

Re: The Nunavut Impact Review Board 2011-2012 Monitoring Report for the Jericho Diamond Project and Board Recommendations

Dear Julie Lassonde:

The Nunavut Impact Review Board (NIRB) is releasing the *Nunavut Impact Review Board 2011-2012 Monitoring Report for the Jericho Diamond Project*. The enclosed monitoring report is based on the NIRB's monitoring activities pursuant to Project Certificate No. 002 (Jericho Project Certificate) and Sections 12.7.1 and 12.7.2 of the Nunavut Land Claims Agreement, which includes monitoring activities occurring during 2011 and 2012.

Based on the Board's review of the monitoring report, it has issued the following (3) three recommendations in order to assist Shear Diamonds (Nunavut) Corp. (Shear or the Proponent) in achieving compliance with Jericho Project Certificate.

Outstanding Reports

The Proponent is required to submit several reports as outlined in Appendix D of the Jericho Project Certificate as well as through various management plans. Since Shear's purchase of the site, the NIRB has not received any of these reports. Further, on August 7, 2012 the NIRB sent a letter to Shear detailing a comprehensive list of outstanding reports, plans, and compliance issues, and requested that the Proponent respond to this list within 30 days of the letter. To date, the NIRB has not received a response.

Recommendation 1: The Board requests that Shear provide a response to the letter dated August 7, 2012 and where possible, to further provide the outstanding reports and plans requested as follows:

- a) 2010 and 2011 annual reports, including the Air Quality Monitoring Report, Annual Environmental Monitoring Report, Updated Abandonment and Restoration Plan, and Aquatic Effects Monitoring Program;
- b) Quarterly reports for 2010 through 2012;

- c) Wildlife monitoring data from 2010-2012 as well as their draft Wildlife Mitigation and Monitoring Plan; and
- d) A response to issues of non-compliance from the 2011 site visit including a notice of atmospheric monitoring station installation.

2012 Site Visit

During the 2012 site visit, the Monitoring Officer noted that the site was orderly, free of garbage or litter, and that various activities were being undertaken to address previous non-compliance issues. However, several items remain which do not fully meet the terms and conditions of the Jericho Project Certificate.

Recommendation 2: The Board requires that Shear provide a detailed plan of action which outlines Shear's proposed plan of action to remedy the following areas of non-compliance as identified during the 2012 Site Visit, including:

- a) Condition 12 requiring the Proponent to post maps showing caribou travel routes at the site as well as provide information regarding wildlife sightings to the Monitoring Officer.
- b) Condition 34 and in particular that the berm in the waste transfer containment area be completely enclosed by replacing the portion of the berm that was removed to allow machinery to enter the area.
- c) Condition 35 requiring the Proponent to implement fencing around all landfill and waste storage areas.
- d) Condition 38 requesting the Proponent submit plans or designs of the on-site spray irrigation system in the PKCA for NIRB assessment.

Updated Monitoring Requirements during Care and Maintenance

The reporting requirements within the Jericho Project Certificate are intended to address the monitoring requirements of an active project. The site has been in care and maintenance for a number of years, and due to the financial challenges currently faced by Shear, may remain so for an indeterminate period of time. Shear has thus far been non-compliant with respect to the majority of its reporting requirements to the Board.

Recommendation 3: The Board requires Shear to describe its plans to comply with the reporting requirements as outlined in the Jericho Project Certificate while the site remains in care and maintenance. Where it anticipates that certain reporting requirements may not be met during care and maintenance, the Proponent should be asked to provide a rationale and its proposed plan to comply with future reporting requirements.

The Board respectfully requests that Shear submit a response to the recommendations specified above within 60 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: Jericho Distribution List

Enclosures: Nunavut Impact Review Board 2011-2012 Monitoring Report for the Jericho Diamond Project
(October 29, 2012)