



NIRB File No.: 00MN059

November 27, 2013

Shear Diamonds (Nunavut) Corp.
Manuel Rappaport
Director

and

Thomas Pladsen
Chief Restructuring Officer

Shear Diamonds Ltd.
Suite 3300, 421 – 7 Ave. SW
Calgary, AB T2P 4K9

Sent via email: manuel@tachediamonds.com; thomaspladsen@hotmail.com

Re: The Nunavut Impact Review Board 2012-2013 Monitoring Report for the Jericho Diamond Project and Board Recommendations

Dear Sirs:

The Nunavut Impact Review Board (NIRB) hereby releases the *Nunavut Impact Review Board's 2012 – 2013 Annual Monitoring Report for the Jericho Diamond Mine Project* (NIRB File No. 00MN059). The enclosed monitoring report is based on the NIRB's monitoring activities pursuant to the Jericho Project Certificate [No. 002] (Project Certificate) and Sections 12.7.1 and 12.7.2 of the Nunavut Land Claims Agreement, and includes monitoring activities occurring during 2012 and 2013.

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

Outstanding Reports

The Proponent is required to submit several reports as outlined in Appendix D of the Project Certificate. Since Shear's purchase of the site in 2010, the NIRB has not received any of these reports, and despite the Board's previous recommendations issued in 2012, no additional information has been received to date.

Recommendation 1: The Board requests that Shear provide the following outstanding submissions:

- a) 2010, 2011, and 2012 annual reports;
- b) Quarterly reports for 2010 through 2012 and 2013; and
- c) Wildlife monitoring data from 2010-2013.

It is requested that Shear provide these outstanding reports within 30 days' receipt of the Board's recommendations.

2013 Site Visit

During the 2013 site visit, it was noted that no Shear or contractor personnel were present, and that the site in similar condition to that observed during the 2012 visit. The Jericho site remains in specific non-compliance with Condition 35 of the Project Certificate.

Recommendation 2: The Board requests that Shear provide the NIRB with a plan of action to construct fencing around all landfill and waste storage areas. It is requested that this plan of action be provided within 30 days' receipt of the Board's recommendations.

Site Risk Management during Temporary Shutdown

During the 2012-2013 reporting period, Aboriginal Affairs and Northern Development Canada (AANDC) noted several risks which existed at site and which require management. These were specifically outlined in AANDC's letter to the NWB dated June 1, 2013 as follows:

- The management of site water during freshet,
- Tailings management, and
- Fuel and hazardous waste management and site closure.

In the Temporary Shutdown Plan and Compliance Plan submitted to AANDC at the end of 2012, Shear proposed a plan to monitor these risks and mitigate some of their impacts. It was observed during the NIRB's 2013 site visit that the processed kimberlite containment area was mostly dry, that surface water continued to collect in most containment berms, and that water levels in catchment areas were higher than the previous year and would likely require treatment and release.

Recommendation 3: The Board requests that Shear provide the NIRB with an update regarding water monitoring and sampling practices as well as releases of water at site, and an update of activities undertaken to manage the risks identified at the Jericho site as outlined by AANDC in correspondence to the NWB dated June 1, 2013. It is requested that these details be provided within 60 days' receipt of the Board's recommendations.

Updated Monitoring Requirements during Care and Maintenance

The reporting requirements outlined in the Project Certificate [No. 002] are intended to address the impacts of an active mine. The Jericho site has been in care and maintenance for a number of

years, and since acquiring the site, Shear has been non-compliant in providing required reporting to the Board.

Recommendation 4: The Board requests that Shear describe its plan to regain compliance with reporting requirements set out in the Project Certificate [No. 002]. Where Shear anticipates certain reporting requirements may not be realistic while the site remains in care and maintenance, Shear should provide its rationale in determining that a requirement is not realistic, and its proposed plan for reporting should the site remain in care and maintenance. It is requested that these details be provided within 60 days' receipt of the Board's recommendations.

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 or require clarification regarding these recommendations or the NIRB's monitoring program for the Jericho Diamond Mine, please do not hesitate to contact the undersigned at 867-983-4611 or tarko@nirb.ca.

Sincerely,



Tara Arko
Technical Advisor & Monitoring Officer
Nunavut Impact Review Board

Cc: Sandra Reid, Thornton Grout Finnigan LLP
Jericho Distribution List

Enclosed: *The Nunavut Impact Review Board's 2012 – 2013 Annual Monitoring Report for the Jericho Diamond Mine Project (November 2013)*