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August 22, 2011

Phyllis Beaulieu
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Nunavut Water Board
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Dear Ms. Beaulieu:

Re: Renewal Application of Type A Water Licence 2AM-JER0411 – General Commitment #16, Operational commitment list as made at the Technical Meeting and Pre-Hearing Conference, June 20th and 21st, 2011

Further to our correspondence to you dated August 15, 2011, please find attached herein Technical Memorandum I, Operational Commitment List.

As discussed in the above-noted correspondence, this two (2) year Implementation Schedule identifies the major steps moving forward and into production and what reports/plans would be required prior to each key step. Additionally, Shear commits to revisiting and updating this schedule on a quarterly basis, namely February, May, August and November of each year.

If you have any questions, or require any additional information, please do not hesitate to contact Stephanie Autut, VP, Environment and Community Affairs, either by email at sautut@sheardiamonds.com or by phone at (780) 435-0045. Shear looks forward to

working with the Nunavut Water Board toward the development of the renewed Type A water licence for the Jericho Diamond Mine.

Sincerely,

Handwritten signature of Pamela Strand in black ink.

Pamela Strand, M.Sc., P. Geol.
President

Handwritten signature of Julie Lassonde Gray in blue ink.

Julie Lassonde Gray
Executive Chairman & CEO

cc: Bernie MacIsaac, Director of Operations, AANDC – NU Region
Geoff Clark, Director, Lands and Environment, KIA

Technical Memorandum I



To: Nunavut Water Board
From: Shear Diamonds Ltd.
Date: August 22, 2011
Ref: Jericho Diamond Mine, 2AM-JER0410

Operational Commitment List Jericho Diamond Mine, Nunavut

2AM-JER0410 Renewal Application Technical Meeting June 20-21, 2011

This technical memorandum is being submitted in response to the request made, during the Technical Meeting and Pre-Hearing Conference held in Cambridge Bay, for a two year detailed activity and implementation schedule and the applicable submissions timeline. As follow up to those discussions, and in response to intervener's technical submissions, Shear Diamonds Ltd (Shear) is pleased to provide the Nunavut Water Board with the following information.

At the time of this submission, Shear is not able to provide a firm date for when production will resume. A number of factors affect this decision; completion of the resource evaluation, assessment of the process plant, and most importantly assessment of the viability of the project based on the price of diamonds and the cost of production. Despite not being able to provide a start date for production, Shear is able to describe, and provide a schedule for, the activities that would be required prior to and following resuming production. This is contained in Table 1. Table 2 contains planned submissions for 2012. As a final note, the construction and implementation of infrastructure may trigger the need to update management plans that have been previously submitted

If you, or any interveners, have any questions, or require further clarification, please do not hesitate to contact me.

Sincerely,

Julie Lassonde
Chairman & CEO
Shear Diamonds Ltd

Table 1 - Timing of Submissions to NWB

Production Schedule	Infrastructure	Action	Submissions to NWB
9-12 mths prior to production	Landfill	Construct	60 Days Prior to construction - submit detailed design plans
			60 Days Prior to construction - submit an updated Borrow Area Mngt. Plan
			90 Days After construction completion - submit a construction report prepared by engineer including As-builts
	Landfarm	Construct	60 Days Prior to construction - submit detailed design plans
		Submit Plan	90 Days After construction completion - submit a construction report prepared by engineer including As-builts
6-9 mths pre-production	North Dam Divider Dyke A West Dam	Submit Plan	60 Days Prior to construction - submit detailed design plans
		Submit Plan	
3-6 mths pre-production	North Dam Divider Dyke A West Dam	Construction Final Construction Final Construction	90 Days After construction completion - submit a construction report prepared by engineer including As-builts
	Cell A Coarse PK Perimeter Berm	Submit Plan	60 Days Prior to construction - submit detailed design plans
	PKCA	Submit Plan	60 Days Prior to resuming production - submit an updated PKMP
Production -including 3 months prior	Waste Rock Piles	Submit Plan	60 Days Prior to resuming production - submit an updated Waste Rock Mngt. Plan
		Submit Plan	60 Days Prior to resuming production - submit an updated AEMP in accordance with Schedule L Item 4.
		Submit Plan	Upon notifying the NWB of intention to resume production - submit an updated Contingency Plan
		Submit Plan	Upon notifying the NWB of intention to resume production - submit an updated Abandonment and Restoration Plan
		Notification	30 Days Prior to resuming production - Notification of intent to resume production operations



Table 1 - Timing of Submissions to NWB (con't)

Production Schedule	Infrastructure	Action	Submissions to NWB
Year 1	Divider Dyke B Cell A Coarse PK Perimeter Berm	Submit Plan Construction - Stage 1	60 Days Prior to construction - submit detailed design plans
Year 2	Divider Dyke B	Construction	90 Days After construction completion - submit a construction report prepared by engineer including As-builts
Year 3	Cell A Coarse PK Perimeter Berm	Construction - Stage 2	90 Days After construction completion - submit a construction report prepared by engineer including As-builts

Table 2 - Planned Submissions for 2012

Plan	Submittal Date
Explosives Management Plan	29-Apr-12
Quality Assurance/Quality Control Plan	29-May-12
General Monitoring Plan	29-Jun-12
Waste Management Plan	29-Oct-12