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December 3, 2010

Phyllis Beaulieu, Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut
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Delivered by email

RE: Geotechnical Inspection of Jericho Minesite

Mr. Jason Porter, P.Eng of EBA Engineering Consultants was on site September 29 and 30th to conduct a geotechnical inspection which satisfies Part F, 4(e), Part G, Item 2 (g), Part G, Item 3 and Part K, Item 11 of the water license (NWB1JER0410). Please find enclosed the Jericho Diamond Mine 2010 Geotechnical Inspection Report prepared by EBA on behalf of Shear Minerals Ltd.

The following summarizes the issues identified during the inspection and how Shear Minerals proposes to address and implement the recommendations provided by EBA.

4.0 West Dam

"Based on the Mean Year precipitation event, EBA expects that the freeboard will be exceeded in early June if pumping is not resumed promptly in Spring 2011"

"EBA recommends that the (ground temperature) cables be re-read as soon as possible in the spring of 2011.

It is Shear Minerals intention to begin discharging from the Process Kimberlite Containment Area within a timeline corresponding with freshet. Ground temperature cables at all locations will be re-read at that time.

8.0 C1 Diversion

"The cracks are not expected to impact the performance of the structure though they should be inspected more carefully once the snow has cleared."

Shear Minerals will be conducting regular inspections of all major earthworks, retention structures, dams and diversion structures, dumps, berms as well as open pit slopes in the spring of 2011. Records will be kept of inspections and any deterioration affecting the performance of structures will be repaired.

9.2 Tank Farm- Phase 1 Area

"EBA recommends that a survey of the berms be performed to determine if the elevation of the berm liner has indeed been lowered if the Phase 1 tank will be used to store additional fuel."

The eight large tanks in the Phase 1 tank farm contain only residual fuel in the tank bottoms. It is not Shear Minerals intention to utilize these tanks for fuel storage at this time.

10.0 Generator Tank Containment Area

“...the capacity of the secondary containment should be reviewed if the liner is lower than the designed / as-built configuration.”

Shear Minerals Ltd. is currently preparing a care and maintenance plan for the site to be submitted late January 2011. Shear is also reviewing/updating/re-writing plans required under the water license that had not been approved by the Nunavut Water Board when previously submitted by Tahera Corporation. A number of the facilities constructed on site did not have design plans or as-builts prepared. Shear Minerals is currently in the process of compiling and preparing as-builts for these structures. Shear Minerals Ltd. will review the containment capacity of the generator tank containment area in the spring.

Should you have any questions or concerns, please do not hesitate to contact Michelle Tanguay, Environment Manager at michelle@shearmineral.com or (250) 362-9530.

Sincerely,



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

Shear Minerals Ltd. and Shear Diamonds (Nunavut) Ltd. (a wholly owned subsidiary of Shear Minerals Ltd.)

cc: Melissa Joy
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