

From: [Pamela Strand](#)
To: [Pamela Strand](#)
Subject: SHEAR ANNOUNCES BEGINNING OF PROCESS EVALUATION AT JERICO DIAMOND RECOVERY PLANT AND INTENT TO COMMENCE PIT DEWATERING.
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CORPORATE NEWS RELEASE

SHEAR ANNOUNCES BEGINNING OF PROCESS EVALUATION AT JERICO DIAMOND RECOVERY PLANT AND INTENT TO COMMENCE PIT DEWATERING.

July 13, 2011. Shear Diamonds Ltd (SRM:TSXV) is pleased to announce that performance tests in the diamond recovery plant and plant feed assessments at the Jericho Diamond Mine will commence by month end. Shear has notified the Nunavut Water Board, earlier this week, of this intent. These tests will be performed in accordance with all current regulatory authorizations and approvals, including our Type A Water Licence.

In addition, Shear announces that it will commence pit dewatering later this month. The pit has not been pumped out since Tahera suspended operations in June of 2008. A pit dewatering plan was submitted to the Nunavut Water Board in May of this year.

"Test processing of small amounts of stockpiled material through the diamond recovery plant will give Shear a better understanding of how this plant may be able to process existing varied stockpiled ore at site," said Julie Lassonde, Chairman & CEO. "These tests will provide Shear both with a parcel of diamonds indicative of the recovery reject pile and with key information as to how to modify the plant to aid in diamond recovery. These tests are at the heart of understanding how to restart operations at Jericho"

Water Licence Renewal Update: In regards to Shear's full Type A Water Licence Renewal Application submitted February 28, 2011, a Technical Meeting and Pre-hearing Conference were held in Cambridge Bay, Nunavut, on June 20-21, 2011. On June 24, 2011 the Board approved the Pre-Hearing Conference Decision along with the procedural direction for the public hearing scheduled for October 12 and 13th to be held in the community of Kugluktuk, Nunavut.

About Shear Diamonds Ltd.

Shear is a Canadian-based company focused on diamond exploration and development in Canada's North, where it explores established diamond districts and has discovered new ones. Shear currently has a portfolio of eight diamond projects, including three advanced projects with development potential. Shear holds a 100% interest in its recently acquired Jericho Diamond Mine and surrounding exploration assets, located in the Kitikmeot region of Nunavut.

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