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Cc:	Julie Lassonde; Greg Powell
Subject:	Shear Diamonds Press Release- Shear Suspends Stockpile Production Due to Low Diamond Prices, Will Focus on Exploration
Date:	Tuesday, September 04, 2012 4:42:50 PM

Hello All,

Please find attached a press release issued today from Shear Diamonds Ltd. We would like to arrange a conference call to discuss this information in more detail and to address any comments and questions you may have. Please respond to this email with times when you would be available for a conference call.

Thank you,
Allison Rippin Armstrong, on behalf of
Julie Lassonde, President and CEO

Shear Suspends Stockpile Production Due to Low Diamond Prices, Will Focus on Exploration

TORONTO, ONTARIO--(Marketwire - Sept. 4, 2012) - Shear Diamonds Ltd. (TSX VENTURE:SRM)("**Shear**") announces that it has suspended production of its high grade stockpiles at the 100% owned Jericho diamond mine as a result of continuing weak world diamond prices. During this interim phase and until prices improve, Shear will look at exploration assets proximal to the Jericho site such as its Carat and Muskox properties, coupled with further definition of its in situ diamond resource at Jericho that will include diamond results from Shear's in pit drilling. Having successfully recovered a significant number of carats from the high grade concentrate stockpiles and having successfully re-established continuing around-the-clock production at Jericho over the last months, Shear has demonstrated that a significant number of diamonds went unrecovered during Jericho's previous operations.

World diamond market prices have dropped sharply, well below Shear's break even prices. As previously disclosed, this drop has posed significant challenges to Shear's finances. In June, Shear and its diamond marketing partner and lender, Taché Company N.V. ("**Taché**"), had determined to continue funding production from the high grade stockpiles. Shear and Tache jointly have deferred end user sales of the parcels that had been shipped to Taché in the hope that diamond prices would recover relatively quickly.

Shear has accomplished two significant milestones for the year - renewal of our Type A Water Licence plus around the clock production and diamond recovery from stockpiles. Given the continuing low prices, the decision has therefore been to suspend production and to seek financing or alternative transactions to move the project and exploration forward, in order to be in the position to proceed to production when diamond

markets recover.

"While we are gratified that we achieved our 2012 goals, we are subject to many factors that are outside our control, such as current low diamond prices. Prices have dropped significantly just as we were hitting our stride," said President and CEO Julie Lassonde. "Shear had assembled an outstanding team that has enabled us to overcome many challenges and in achieving our goals, including recently repairing a damaged thickener core well ahead of schedule and on budget," added Ms. Lassonde. "We will now turn to obtaining further financing for exploration."

Since commencing production in April, Shear has delivered three parcels to Taché, with an aggregate of 47, 516.32 carats. A further shipment to Taché of the diamonds produced to date will be made in mid-September. In addition to its $2 million term loan, Shear has to date drawn US$1.6 million against its US$3 million revolving line of credit with Taché. Shear and Taché have jointly agreed that this suspension is in Shear's long term interest, and continue to collaboratively consider project value maximization.

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 2010 acquired Jericho Diamond Mine and surrounding exploration assets, located in the Kitikmeot region of Nunavut.

On behalf of the Board of **SHEAR DIAMONDS LTD.**

Julie Lassonde, *President & CEO*

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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