Carat Property

Non-Technical Summary and Work Plan

Shear Diamonds (Nunavut) Corp. & Shear Diamonds Ltd.

February 2011

NON-TECHNICAL SUMMARY

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Carat Property – 2011

Shear Diamonds Ltd. is dedicated to exploring for economic mineral deposits in northern Canada. In 1997 we initiated exploration for mineral deposits within Kitikmeot region for gold and then moved onto diamond exploration in the Kivalliq region in 2001 believing that the area had the potential to host world-class mineral deposits. Our company has worked closely with the Kivalliq and now the Kitikmeot communities, local Inuit Associations, the Nunavut Government and the Federal Government toward making mineral discoveries without adversely affecting the natural way of the wildlife, the people and the land.

In August 2010 Shear Diamonds Ltd. purchased the Jericho Diamond Mine and the surrounding diamond exploration projects in the Kitikmeot region.

The purpose of our activities under our land use and water licences are to evaluate the potential for economic concentrations of diamonds on Inuit surface and subsurface owned land parcels as well as DIAND land within NTS map sheets 76 E/13, 76 E/14, 76 L/03, and 76 L/04, Our plan is to conduct exploration on the Carat Property in order to discover new kimberlites and prove up additional diamond resources immediately adjacent to the mine site with the hopes of re-assessing the economics of re-opening the mine. The activities will include ground and airborne geophysical surveys, prospecting, rock, till and soil sampling, geological mapping, diamond drilling, test pit trenching and a possible bulk sample program. All of these activities have a low impact on the environment and all of the impacts are temporary and easily reclaimed.

We plan to initiate activities around April 2011. Upon approval from the regulatory departments we will begin transporting equipment to our exploration camp at the Jericho Diamond Mine. All of our field work will be based out of the Jericho Diamond Mine site. Our activities will be supported by Challenger, snow machines, fixed-wing aircraft and helicopter. Our 2011 program will likely be completed by end of November 2011. Our 2012 program will be dependent upon the results of the 2011 exploration program.

Shear Diamonds Ltd. and its partners conduct extensive exploration programs within Nunavut and the Northwest Territories. We recognize the importance of conducting our exploration programs in a socially and environmentally responsible manner.

SHEAR DIAMONDS LTD.

CARAT PROPERTY, NU – PROJECT SUMMARY

Introduction

The Carat Property is located approximately 266 km southeast of the Hamlet of Kugluktuk and 450 km southwest from the Hamlet of Cambridge Bay in the Kitikmeot Region, Nunavut. The minimum and maximum latitude/longitude coordinates of the property boundary are as follows:

Northwest Corner	111°38'29"	66°4'50"
Northeast Corner	111°21'12"	66°3'4"
Southwest Corner	111°38'49"	65°52'12"
Southeast Corner	111°18'55"	65°52'15"

The property is comprised of 28 mining leases (51,751 acres), of which six are classified as the Jericho Mine Leases, and 10 pending mining leases (16,851.2 acres) claims comprise the property covering a total land base of 61,964.2 acres (25,076. hectares) and lies on NTS map sheets 76 E/13, 14 and 76 L/3, 4. Figure 1 indicates the regional setting of the property and Figure 2 indicates the Carat Property leases and claims.

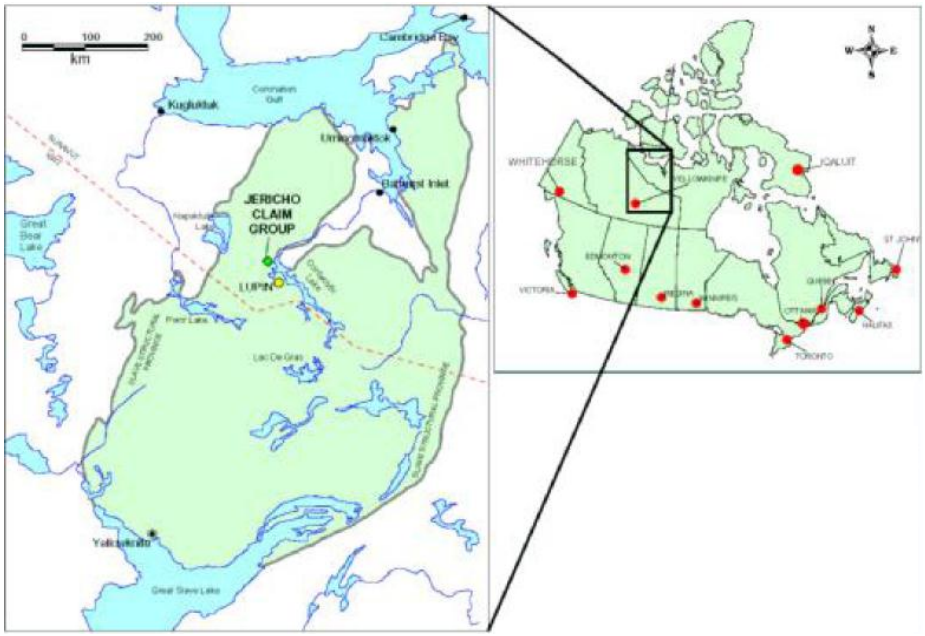


Figure1. Regional setting of the project area.

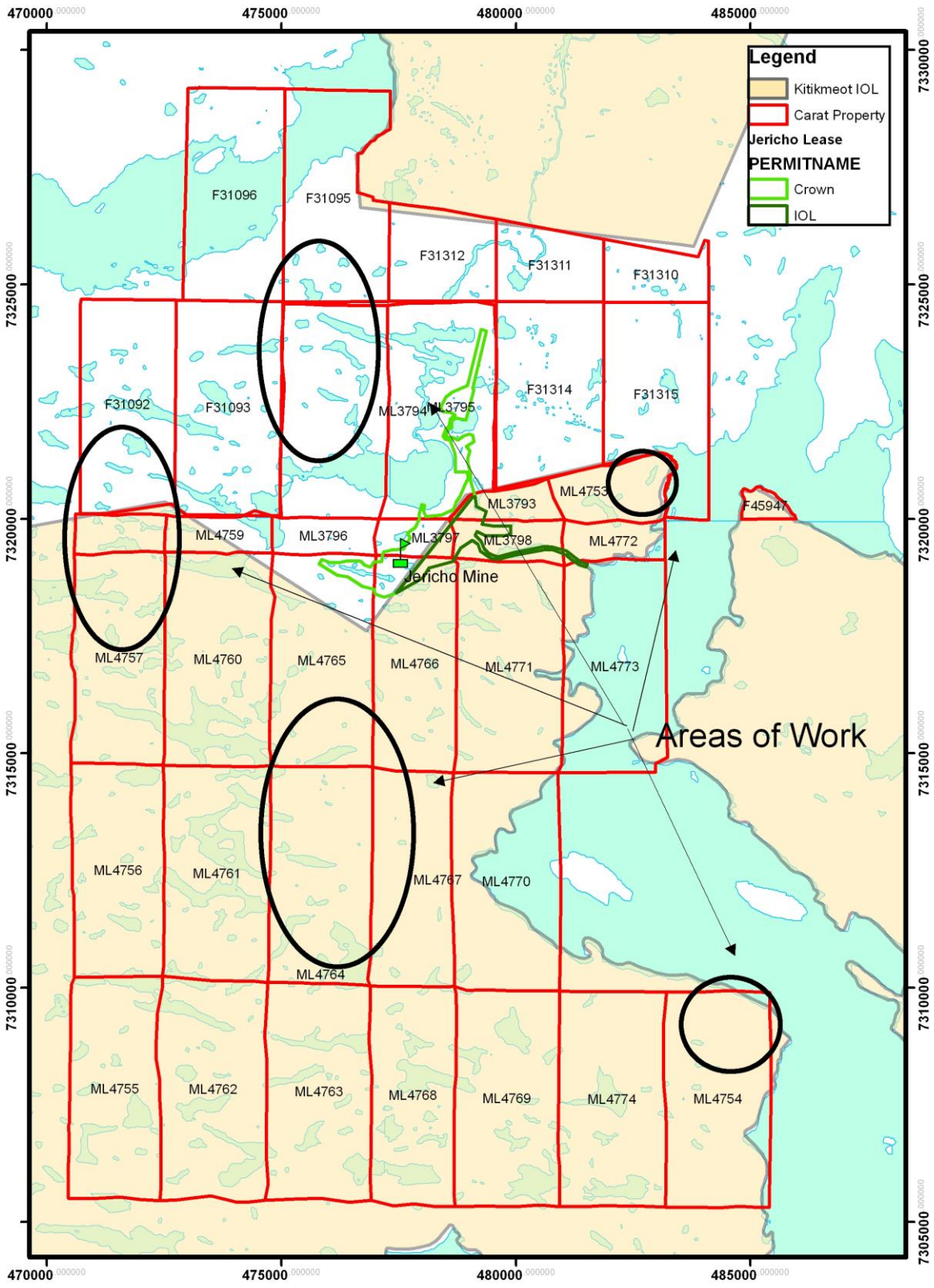


Figure 2. Carat project leases and claims.

Due to the proximity to the Jericho Diamond mine, it is anticipated that exploration of the Carat Property will continue for many years. The goal of the exploration program is to discover additional economic diamond deposits. This document summarizes the proposed activities over the next few years. Exploration activities will consist of the following:

- Prospecting;
- Till and rock sampling;
- Geological mapping;
- Airborne and ground geophysical surveying;
- Trenching – using hand tools and small mechanized equipment; and
- Core and reverse circulation drilling.

Further detail on each of the exploration activities can be found in Appendix I.

Work Planned for 2011

All exploration activities will be based from the Jericho Diamond Mine. The programs will be helicopter supported. Fuel will be stored at the mine site and brought to the drill sites as needed. A small fuel cache will be located at the drill to support the operations.

Spring 2011 Activities

- Ground geophysics; and
- Drilling

Summer/Fall Activities

- Prospecting; and
- Drilling

A Spill Response Plan has been prepared specifically for the exploration program and is provided with the exploration application package. As well, a Reclamation Plan has been prepared and an Environmental Policy and Procedures document.

Equipment 2011

Type	Size	Purpose
Helicopter	A-Star, Long Ranger, 500	Move drill, transport crews and supplies
Drill	25A or equivalent	Drilling
Snow machines		Transport
Generator – 2		Supply power to the drill and the water pump
Pump		Supply water to the drill

Fuel at Drill Sites 2011

Type	Size	Quantity
Diesel	205 L	4 drums
Jet	205 L	2 drums
Gasoline	22.5 L	1-2 Gerry cans
Propane	100 lb	1 cylinder

Over the next year a Challenger may be brought to site. In 2012 the Challenger will be used to move the drill overland to the drill targets as snow conditions and weather permit.

Both a day and night shift will support the drill program. Personnel will be housed at the Jericho Mine site.

Appendix I.
Exploration Activities

Carat Diamond Project, Nunavut

PLANNED ACTIVITIES

Ground Geophysics

Ground geophysics involves two types of surveys

1. Ground magnetics which consist of a back pack with equipment used by foot or snowmobile mounted in the winter. Magnetics measures differences in the magnetism of the underlying rock, and
2. Ground gravity which consists of a very sensitive system which measures very small changes in gravity in the rock below. This system is hand portable from site to site where measurements are recorded.

Both surveys can be completed in winter and summer. All surveys use GPS for navigation.

Above: Ground Magnetic surveying by snowmobile in winter season using a snowmobile that tows a sled mounted with the measuring devise.

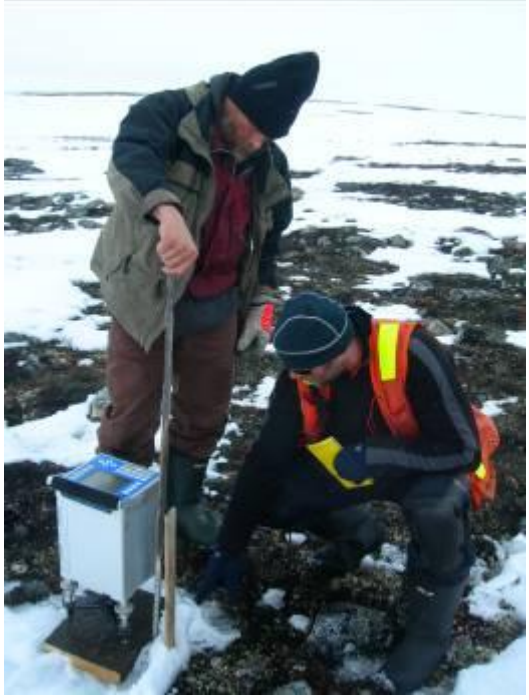
Above: Ground Magnetic surveying by foot using snowshoes in winter.

Above: Ground Magnetic surveying by foot in summer.

During all ground geophysical surveys there is no impact to the land. Note all equipment is portable and survey lines can be walked for data collection. No signals are emitted into the ground during any of these ground geophysical methods. The crew takes their position using GPS units.

Another geophysical method that is used is ground gravity surveying. Below is a picture of a crew equipped to complete a ground gravity survey that measures the differences in the specific gravity of the underlying rocks. A flat surface is

required for leveling sensitive equipment. Several leveling devices can be seen in the two survey pictures below.



Above: Two technicians level gravity measuring equipment in order to take a station reading.

Airborne Geophysics

Airborne geophysics can involve many types of surveys. Some are completed using a helicopter or a fixed wing aircraft. In all cases specialized sensors are used to measure the properties of the rocks the plane is flying over. These readings are recorded with a computer on board the aircraft. All surveys can be completed in winter and summer. All surveys use GPS for navigation. During all surveying the areas are monitored for wildlife and mitigative measures are taken to avoid disturbance.

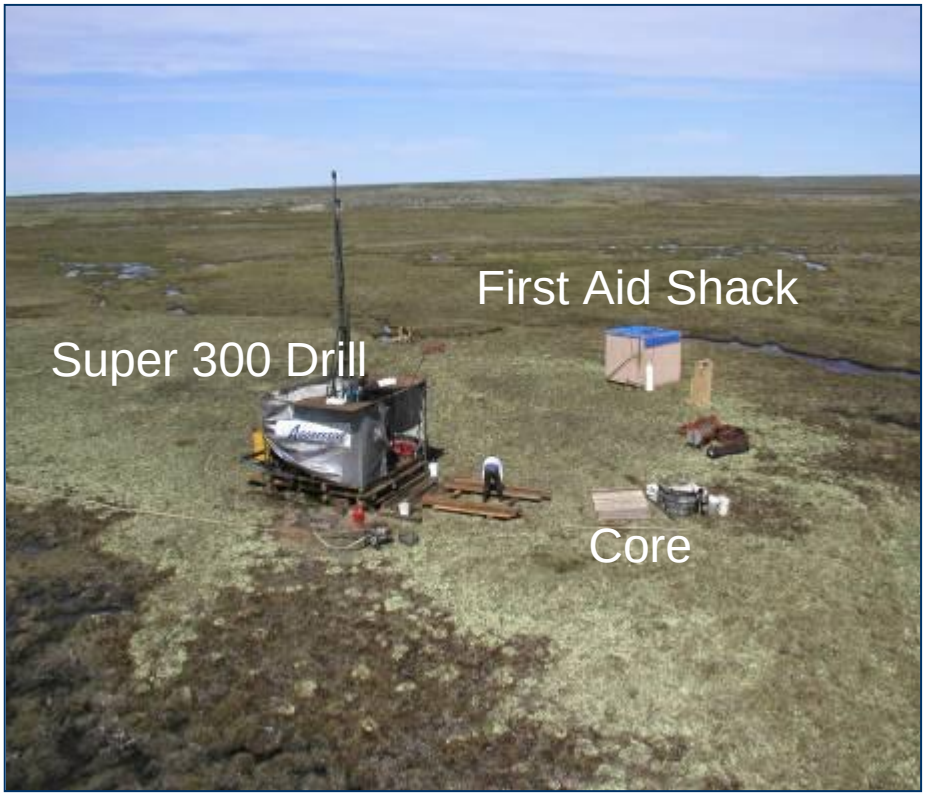
Below: Fixed wing aircraft with geophysical sensor off back.

Below: Airborne geophysical survey using a helicopter shown in red circle with sensors off the side of the helicopter.

Above: Helicopter based airborne geophysical survey that is towing the sensor.

Diamond ("Core") Drilling

In order to determine if kimberlite is present or to collect a sample from a known kimberlite and determine the size of the kimberlite, diamond drilling is completed. The product a diamond drill rig produces is called drill core and provides a solid sample of the rock record. These drills are also modular and portable but require many more helicopter trips to move the rig from drill site to drill site. An emergency shelter or first aid check is always placed at the drill in case of bad weather.



Above: Picture of typical diamond drill showing first aid or survivial shack, core in core boxes and general layout of a typical drill set up. Note person for scale and hose line heading towards water pump.

Above: Diamond Drill set up from air.

Above: Pictures show examples of drill core of kimberlite. On right drill core is organized in core boxes for proper logging.

A diamond drill program will be undertaken on the Carat Project with one drill similar to the above figures.

During the drill operations the drill fluid used does not involve any toxic chemicals. Most drill additives used in modern day exploration drilling are biodegradable and non-toxic. There will be a small amount of cuttings resulting from the drilling, in the form of sand, silt, mud. These cuttings will be disposed of

in a safe manner in locations that are well above the natural high-water mark of all surrounding water bodies. There are no toxic chemicals associated with these cuttings. They are produced as a result of the grinding up of the earth and rocks that are being drilled through.

Water will either be drawn from small lakes or ponds via a water line and pump or in the winter if required brought in and stored in tanks to be used as needed. The location of water is determined at the time of the drill set up. No active streams will be drawn from directly. Less than 50 cubic metres of water will be used each day that the drill is operating. The drill will be moving from target to target and different water sources will be used for each drill target. The maximum depth of the drill holes will be approximately 500 metres, therefore no permafrost regions will be penetrated.

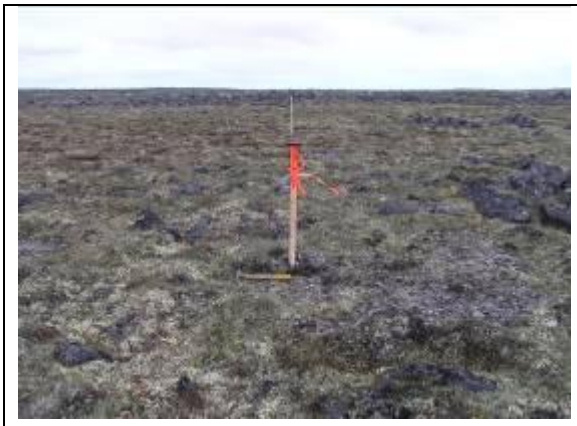
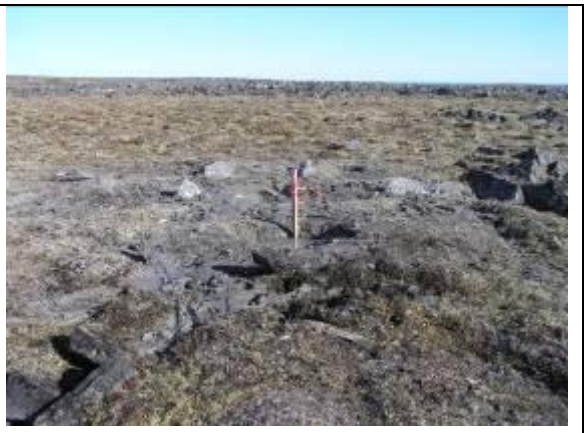
For lake based, on-ice drill holes, all holes will be plugged and cemented in bedrock, below the lake bottom and the drill casing will be removed from the lake. No material or residue will be allowed to accumulate on the lake surface. Any material that may become frozen into the ice during drilling activities will be chipped out and removed to camp for proper disposal.

All equipment, fuels and supplies will be removed from the drill sites upon completion of each hole. The project manager shall then inspect each site to ensure that it is properly cleaned up and restored. Photos will be taken to document the clean-up of drill sites.

Transportation of equipment to the proposed drill sites will occur overland when there is snow cover on frozen ground using sleighs pulled by equipment thus avoiding any impact on the ground and vegetation. If overland conditions do not permit, or for summer drilling the drill is lifted from site to site using a helicopter. In order to move a drill it is disassembled at site, moved by helicopter liftingand re assembled at the next drill site.

Shear Diamonds (Nunavut) Corp. will practice progressive reclamation. All sites will be reclaimed and left in a manner so as to promote revegetation upon completion of drilling. The project manager shall then inspect each site to ensure that it is properly cleaned up and restored. Pictures will be taken of the drill sites, before and after drilling occurs to document the conditions of the sites (see below) and on an as needed basis if required. Debris will be removed prior to leaving the drill target. The drill casing will be cut to match the contour of the surrounding ground level or to match the surrounding topography. All equipment will be removed including drills, pumps and generators. All wooden structures including floors will be removed. All fuel drums will be removed from site and while on site will have secondary containment. All sumps will be inspected to ensure that there is no leaking or run-off. Sumps will be back-filled and leveled as required.

Above: Example of proper secondary containment for diesel fuel at drill site. Below: before and after pictures from a typical diamond drill set up.

	
Pre-drilling	**Post-drilling**

Till Sampling

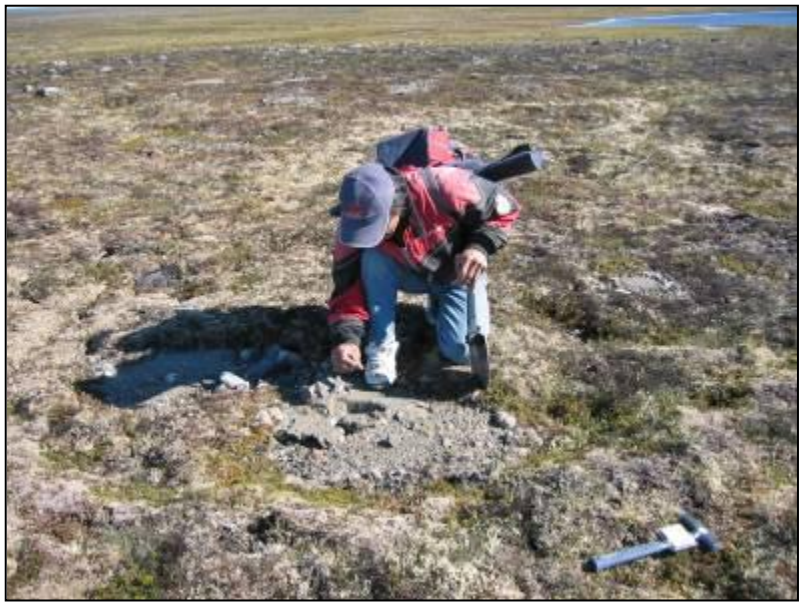
Till sampling involves a geologist and/or assistant to travel to pre determined sites by helicopter or foot. Once there the team collects a 20kg sample of the glacial material (sand or gravel). This material is placed in a labeled bag, the site labeled so it can be returned to if positive results. The samples are then shipped south for processing at a laboratory.

Above: Crew actively collecting till sample. Below: Example of till sample site once collected. Sample bags are shipped off site for analysis.

Prospecting and Mapping

Geologists, prospectors and assistants are general transported to and from an area by helicopter. From there they examine the area by walking on foot to examine the rocks and anything at the surface. Some kimberlites can occur right at the surface and therefore can be dug with a simple shovel for sampling. Often after rocks and any glacial sediments have been examined a geological or glacial map will be made by transferring these readings to a map format.

If a rock of interest is found it is often examined in the field under a microscope. Also, indicator minerals that suggest kimberlite can be found in the sand and gravel and examined on site during the prospecting program.



Above: All rocks and sediments are examined during prospecting and mapping.

If a rock or area of interest is located sample can be collected using pick and shovel.

Below: At the office samples can be examined under the microscope for a closer examination.

Below: An example of indicator minerals found from sand and gravel sample.