



RE: INDIAN AND NORTHERN AFFAIRS CANADA AUGUST 2, 2008 INSPECTION OF JOSEPHINE CAMP, CHURCHILL DIAMOND PROPERTY, SHEAR MINERALS LTD

In response to the Inspectors' Direction dated August 4, 2008, Shear Minerals has developed a Camp closure plan to ensure that Shear Minerals stays within the recommendations of Indian and Northern Affairs, and to make certain that possible environmental hazards are minimized and mitigated.

At the time of the INAC inspection, the number of fuel drums came to a rough estimate of 600 drums on the entire property. Typical amounts of drums used on a weekly basis include 24 barrels of heating fuel and 35 barrels of Jet B fuel. 1 barrel of gasoline and 25 cylinders of propane are consumed over the entire season of operation. Fuel consumption is reduced with the currently active exploration activities and total fuel left on site will be less by closure time.

Peripheral Fuel Caches:

Shear Minerals plans to mobilize and install secondary containment to several of the fuel caches as detailed below. Fuel drums will be placed within 20' x 20' x 15" wall L-rod Containment Berms in Tan Arctic Fabric. All fuel stored over winter will be covered with a secured heavy duty, waterproof vinyl cover so that minimal amounts of snow and/or precipitation enter the containment areas. Stakes will be installed at the four corners of each fuel cache and will be clearly marked with winter flagging high enough for visibility during snow cover. This procedure will make the fuel accessible during the winter season for monitoring. Details on the specific fuel caches are listed below.

- The Kahuna Cache (591520E 7002289N) will be moved in the winter by overland haul to the gravel esker also known as the East Strip Cache (595266E 7002012N) and stored on the gravel esker with the existing East Strip Cache at the site.
- The Notch cache will stay at its current location (583174E 6992635N) within secondary containment.
- The North Strip Cache (590029E 7014473N) will remain at its current location on a gravel esker with secondary containment.
- The PST Cache (581025E 6991450N) will be emptied this field season.
- Plans to remove Jigsaw 7 (572012E 7002012 N) and Jigsaw 8 (571060E 6996458N) from the property are currently under way. This will occur during overland winter haul season, but will be stored in secondary containment until then.
- The East Strip Cache (595266E 7002012N) will stay at its current location with secondary containment.
- The Camp Fuel Cache will store 60 drums for next field season. All drums will be placed within secondary containment. All but one barrels of gas will also be removed from the camp cache.

All refilled drums will be priority to be placed in the instaberm over the sealed drums.

By camp close-up, approximately 465 barrels of fuel will be under secondary containment and approximately 82 barrels will be removed off the property during the winter season. A complete list of cache numbers will be sent once a complete cache count is available. Plans to improve our fuel

storage are under discussion for next field season. Once discussions are finalized, an amendment to our water license will be submitted to NWB to include discharge of accumulated water from our instabermes. We will ensure that the quantity of fuel on the property reduces significantly, for the 2009/2010 field season.

Empty Drums:

Similar to all past years of this project, all empty fuel drums will be stored and hauled out during the winter months. This year all fuel barrels will be stored at the North Strip. All drums are empty and have been drained of all remaining fuel. The empties will be organized to minimize snow drifting, with the bungs tightened and situated in the 9 and 3 positions, downwind from the dominant direction. Rebar and chains will be used to secure the empty drums to prevent them from blowing away, although this has not been an issue in the past. All empties will be removed from site as a priority once overland haul season begins in January or February, 2009.

Monitoring:

After camp closure a Shear representative will travel out to site via ATV to the North Strip Cache and Kahuna caches before snow cover to inspect the fuel drums. During the snowmobile season, Shear will have a monitoring program that will involve an inspection once a month at the North Strip and Kahuna caches.

A revised Spill Contingency Plan will be submitted next year at the time all plans and applications to the appropriate organization are due. The changes will reflect the procedures in handling and storing fuel at our property, as well as how any contaminated water that collects in the instabermes will be dealt with.

Shear Minerals Ltd. is a company that understands and supports the need for environmental safety at an exploration site. We look forward to working with all regulatory agencies to ensure that all regulations are met and that minimal to no environmental hazards or incidences occur at our properties.