



Inspection Report

License #: 2BE-CHU0813

Inspector: A.Keim

CIDMS # 391089

Client	Shear Minerals Ltd.		
Mailing Address	Pamela Strand, President & CEO Shear Minerals Ltd. Suite 100, 9797 45 th Ave. Edmonton, AB, T6E 5V8 Email: pstrand@shearminerals.com		
Inspection site location	Churchill Diamond Project		
Contact name	None	Title	
Last inspection date	June 24, 2007	August 2, 2008	
Inspection start date	August 1, 2009		
Region	Kivalliq		



INAC, Nunavut District
Box 100
Building 918
Iqaluit, NU, X0A 0H0

Submitted Via E-Mail

Our File: 2BE-CHU0813 (renewed)
Your File: _____
CIDM # 391089

February 22, 2010

Pamela Strand, President & CEO
Shear Minerals Ltd.
Suite 100, 9797 45th Ave.
Edmonton, AB, T6E 5V8
Email: pstrand@shearminerals.com

RE: Water Licence Inspection August 1, 2009

The following inspection report was generated on a compliance inspection carried out on the Churchill Diamond Project and facilities located at Josephine lake, Latitude: 63° 12'N Longitude: 91° 15'W in the Kivalliq Region of the Nunavut Territory. The inspection was conducted to determine compliance with the terms and conditions of the Water License (2BE-CHU0813) to Shear Minerals Ltd. by the Nunavut Water Board (NWB).

The report references the applicable parts of the Water License (2BE-CHU0813) and the findings observed under each of those Parts. During the writing of this report a compliance review was undertaken of the documents, plans and manuals filed by the Licensee and located on the Nunavut Water Board's FTP site.

It is noted that at the time of the Inspection the Camp was inactive (on Care and Maintenance) . No representatives of Shear Minerals were available to take part in the Inspection.

Issues noted in previous Inspections;

- Lack of record keeping to indicate drill holes had been capped as required
- Drill hole remediation. Failure to contain and consolidate cuttings from Drill holes and the build up of water at the mini bulk sample
- Insufficient Secondary Containment at fuel storage locations throughout the project
- Inadequate grey water sump at camp location
- Ground rutting and erosion issues around camp due to use of equipment including four wheelers
- Fuel storage issues – Direction issued in 2008

During the period of the 2009 inspection the following issues were identified by the Inspector;

*** It is noted that the Camp was inactive at the time of the Inspection. A planned 2 week prospecting program out of Chesterfield Inlet was as yet unconfirmed during the period of Inspection.**

- A 2008 annual report was not available for review.
- Secondary Containment was noted at the camp and airstrip caches. One other cache was identified.
- Barrels containing fuel were noted at both the airstrip and camp without secondary containment.
- Monitoring records were not available for review. These are to be supplied to the Inspector prior to the opening of camp as per the Plan submitted by Shear minerals in response to the Inspectors Direction issued in 2008.
- It was noted that the mini-trench excavated in 2007 has not been remediated. A plan to address water accumulation and subsidence and permafrost degradation may be required as an addendum to the Abandonment and Restoration plan.
- Water accumulation within on-site secondary Containment shall be sampled for compliance with CCME Guidelines for the Protection of Fresh Water Aquatic Life prior to discharge.



Non-Compliance: Issues identified during the inspection and/or review of relevant material.

Issues with a known or anticipated human health impacts;

- None.

Issues where there is a known or anticipated environmental impairment;

- Fuel storage requires a sufficiently stringent monitoring program to adequately reduce or mitigate the risk to the environment. Monitoring as part of the issued Inspector Direction was a mandatory condition and records are to be supplied as required to achieve compliance.

Issues where there is a known or suspected violation of a requirement of the Water License;

- None.

A. Keim

Inspector's Name

Inspector's Signature

Cc:

Peter Kusugak - Manager Field Operations Section- Indian and Northern Affairs Canada

Phyllis Beaulieu – Manager licensing – Nunavut Water Board























