



shear
diamonds

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TRANSFORMING A DIAMOND MINE: The Jericho Diamond Mine Update

Disclaimer

TSXV:SRM

This presentation contains forward-looking statements, including predictions, projections and forecasts. Forward-looking statements include, but are not limited to, statements with respect to exploration results, the timing and success of exploration activities generally, permitting time lines, government regulation of exploration and mining operations, environmental risks, title disputes or claims, limitations on insurance coverage, timing and possible outcome of any pending litigation, timing and results of future resource estimates or future economic studies and the timing and results of any future development.

Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “planning”, “planned”, “expects” or “looking forward”, “does not expect”, “continues”, “scheduled”, “estimates”, “forecasts”, “intends”, “potential”, “anticipates”, “does not anticipate”, or “belief”, or describes a “goal”, or variation of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements are based on a number of material factors and assumptions, including but not limited to, the result of drilling and exploration activities, that contracted parties provide goods and/or services on the agreed timeframes, that equipment necessary for exploration is available as scheduled and does not incur unforeseen break downs, that no labour shortages or delays are incurred, that plant and equipment function as specified, that no unusual geological or technical problems occur, and that laboratory and other related services are available and perform as contracted.

Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the interpretation and actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of diamonds; possible variations in grade or recovery rates; failure of equipment or processes to operate as anticipated; the failure of contracted parties to perform; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of exploration, as well as those factors disclosed in the company's publicly filed documents. Although Shear Diamonds Ltd. has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The mineral resource estimates in this presentation include inferred mineral resources that are considered to speculative geologically to have the economic consideration applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized

Pamela Strand, the President of Shear Diamonds Ltd. and a P. Geol. and Qualified Person under NI 43-101, has reviewed and approved the contents of this presentation.

Investment Highlights

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Flagship Asset	✓	100% owner of past-producing Jericho Diamond Mine ⁽¹⁾
Resource ⁽²⁾	✓	1.88 M carats indicated 1.13 M carats inferred Excellent potential to expand resource including untested targets
Pricing	✓	Strong supply/demand fundamentals
Infrastructure	✓	\$200 M invested in infrastructure
Jurisdiction	✓	Nunavut – favourable mining jurisdiction
Management	✓	Experienced management team with strong track record in the North
Project Pipeline	✓	Portfolio of assets at various stages of development 120 known kimberlites
Upcoming Catalysts	✓	Exploration at Jericho and other properties, improvements at Jericho and optimized economics, possible processing of tails and coarse rejects this Fall
Valuation ⁽³⁾	✓	Undervalued compared to peers Investing at \$0.06 on the dollar of invested capital

(1) Caz Petroleum retains 2% royalty on the Jericho Diamond Mine

(2) Completed by SRK Consulting (Canada) Inc, July 22, 2010

(3) Assuming \$200 M invested in infrastructure and \$22 M market capitalization less \$8 M cash

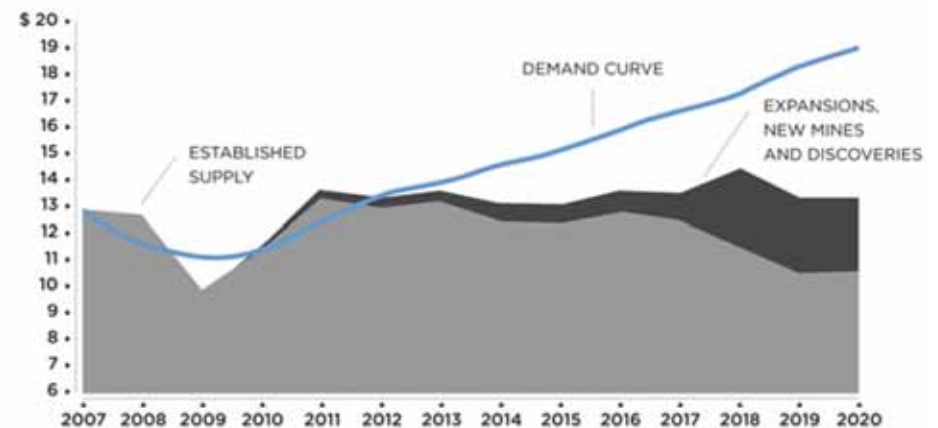
Diamond Market Dynamics

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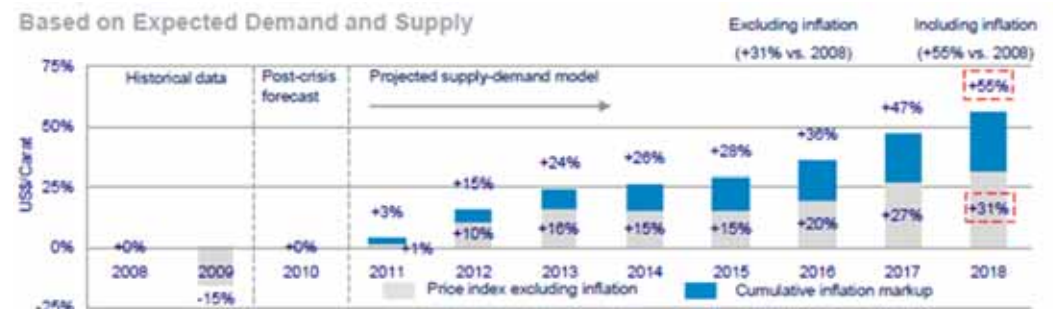
Strong Supply/Demand Dynamics Expected to Support Prices

- *Supplies are declining*
- *Demand is increasing, in particular in emerging markets (China and India)*
- *Increasing rough diamond prices*

Rough Diamond Market (US\$B)⁽¹⁾



Rough Diamond Price Index (US\$/carat)⁽²⁾



Portfolio of Assets at Various Stages of Development

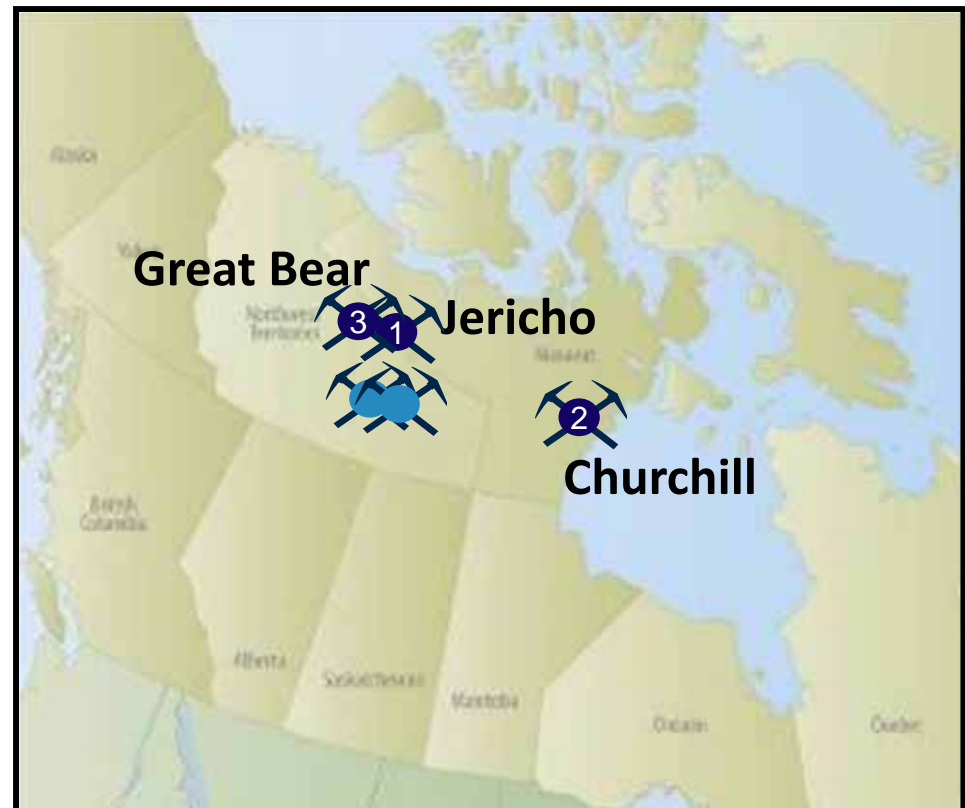
Development:

① *Jericho*

Advanced Stage:

② *Churchill*

③ *Great Bear*

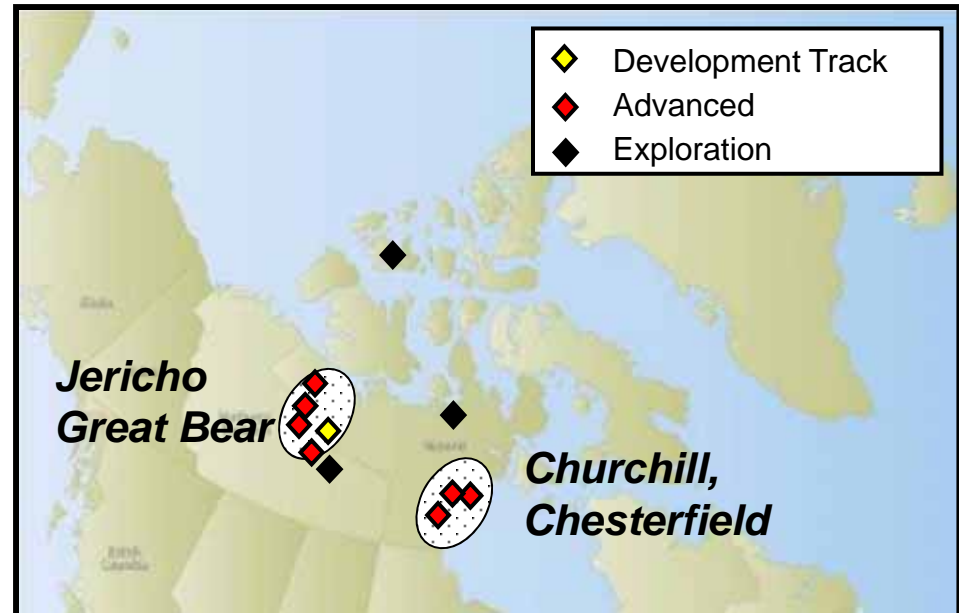


Shear has over 120 kimberlites on its property

Shear is Nunavut Focused

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- Mining friendly
- Nunavut is seeking sustainable future through mining
- Permitting process is well defined
- Strong partnerships in place: KitIA, INAC, GN and NRC (MOU signed Feb. 2011)
- Underexplored Geology

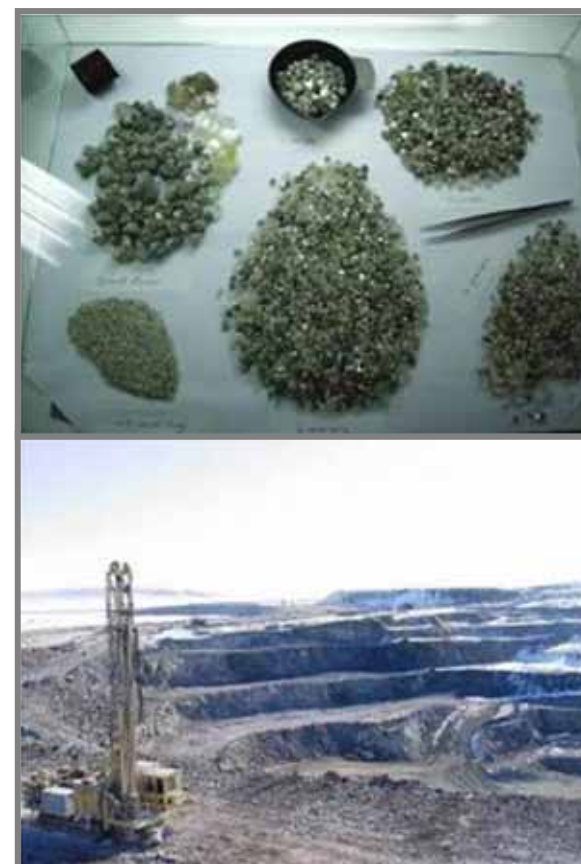


Jericho Project Highlights

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Past Producing Open Pit Mine in Nunavut

Shear's Ownership:	100% ⁽¹⁾
Previously Mined & Processed:	Jan 2006 to May 2008
Kimberlite Mined:	1.5 Mt
Kimberlite Processed:	1.2 Mt
Carats Recovered:	780,000 cts
Previous Investment: (includes exploration and infrastructure)	C\$350 million
Indicated Resource:	1.88 million carats
Inferred Resource:	1.13 million carats



Jericho Project

Existing Infrastructure

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C\$200 Million in Infrastructure

- 1 2,000 tpd diamond plant
- 2 Maintenance shop
- 3 Fuel farm
- 4 225 Staff Office and Accommodation Camp
- 5 Jericho open pit mine



Excellent Project Access

- Air – year round 1,067m strip
- Winter Road – from Yellowknife

Permits in Place

- Type A Water License (to March 1, 2012)
- Nunavut Impact Review Board Project Certificate
- Inuit Impact Benefit Agreement



2011 Jericho Work Plan

Key Priorities

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2011 Key Priorities

- 1) Prove-up and expand current diamond resource
- 2) Explore for new nearby diamondiferous kimberlites
- 3) Mill rehabilitation and assess potential stockpile processing
- 4) Permitting and Environment, including renewal of Type A Water License
- 5) Contemplating an updated NI 43-101 resource and PEA for Q1 2012

2011 Jericho Work Plan

Phase 1

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Phase 1: \$4.6 Million Budget (Feb 28, 2011) (through the end of June)

- Ground magnetic and EM with ground gravity surveys over key targets
- ~5,000 m of core drilling to test:
 - Up to 10 new exploration targets suggestive of new kimberlites
 - Up to 12 holes angled exploration holes to test for additional tonnage and to firm up volume model in the Jericho Kimberlite Complex⁽¹⁾
 - Up to 11 holes (2,500m) of vertical pilot holes for geological modeling
- Till sampling, prospecting and structural interpretation on key targets
- Ongoing care & maintenance of the site
- Ongoing evaluation of Jericho Kimberlite Complex Resource

Jericho Project

NI 43-101 Resource⁽¹⁾

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	Tonnes (Kt)	Grade (cpt)	Carats (Kct)	US\$/ct
Indicated				
North Lobe	720	0.68	490	78
Central Lobe NW (OP)	673	1.48	996	112
Central Lobe NW (UG)	224	1.48	332	112
Stockpiles	156	0.42	65	n/a
Total Indicated	1,773	1.06	1,883	103⁽²⁾
Inferred				
F1N Lobe	445	0.34	155	88
Central Lobe SE (OP)	564	1.15	649	106
Central Lobe SE (UG)	34	1.15	39	106
South Lobe	671	0.42	282	90
Total Inferred	1,724	0.65	1,125	100

Valuation of resource estimate was completed in a weaker diamond pricing environment

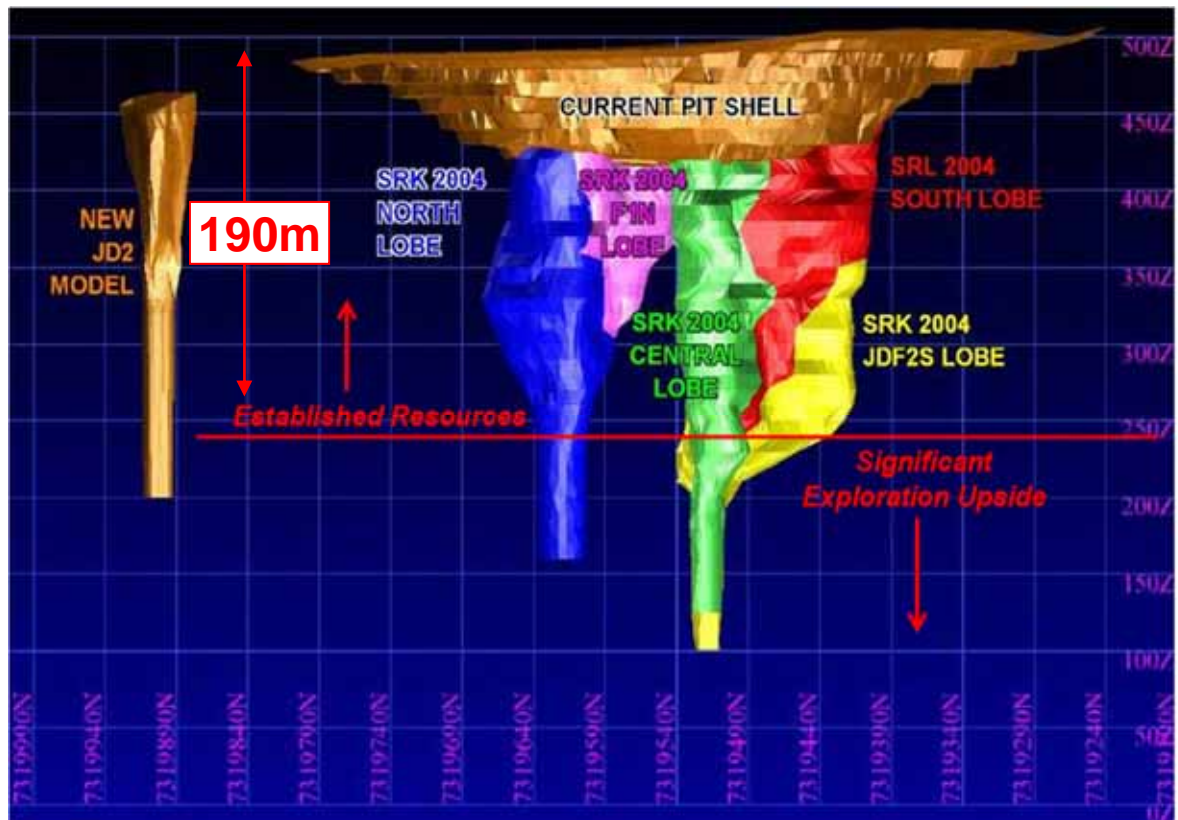
Jericho Project

Resource Upside Potential

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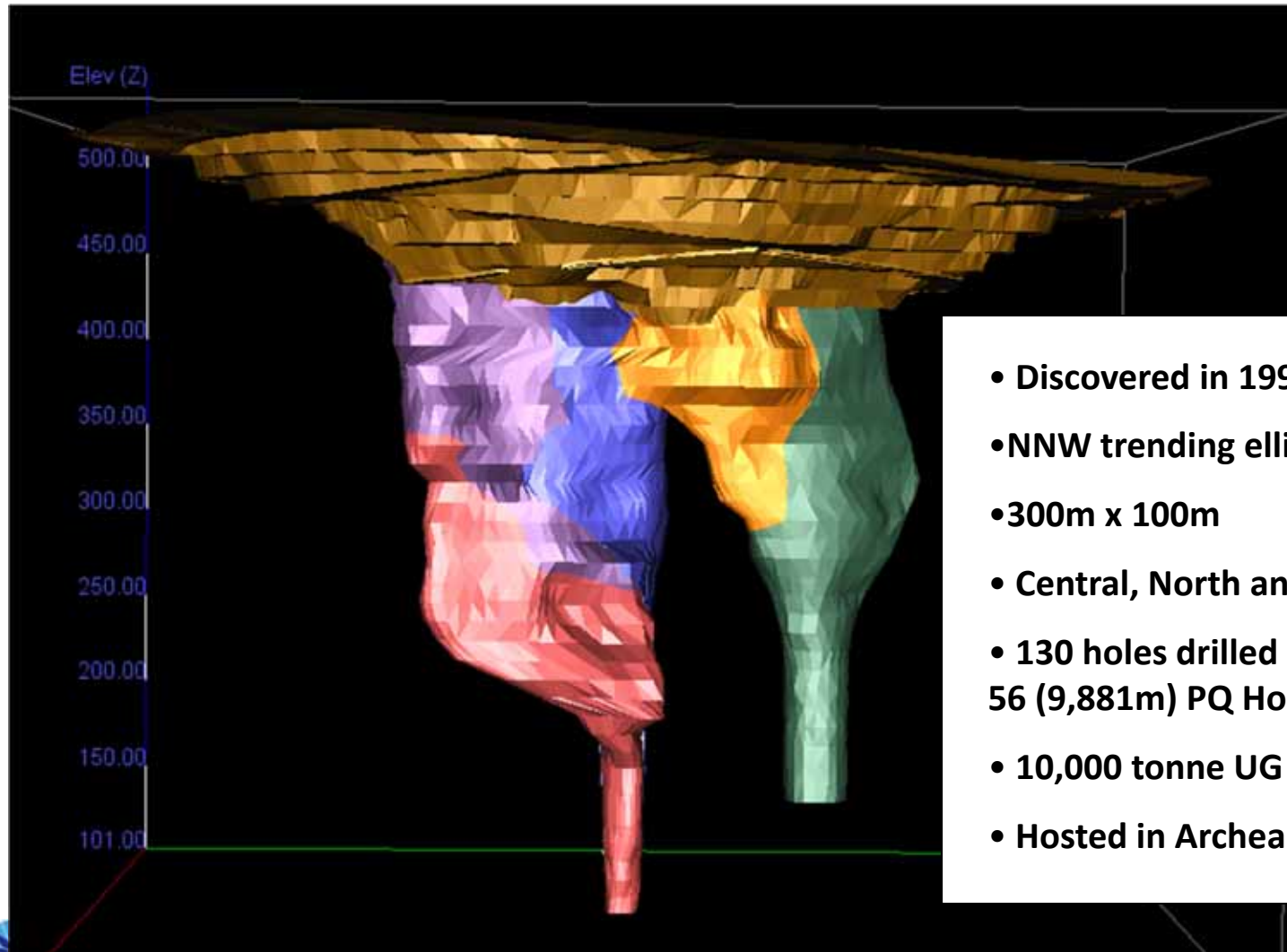
NI 43-101 Resource Upside Potential

- Existing resource delineated to only 190 metres depth
- Potential significant exploration upside below and outside current pit shell
- Additional stockpiles not factored into existing resource



Jericho Kimberlite Complex

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- Discovered in 1995
- NNW trending elliptical kimberlite
- 300m x 100m
- Central, North and South VK
- 130 holes drilled (22,909m) including 56 (9,881m) PQ Holes
- 10,000 tonne UG BS
- Hosted in Archean Granitoids of SSP

Jericho Project

Large Diamond Potential

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Large Diamonds Recovered

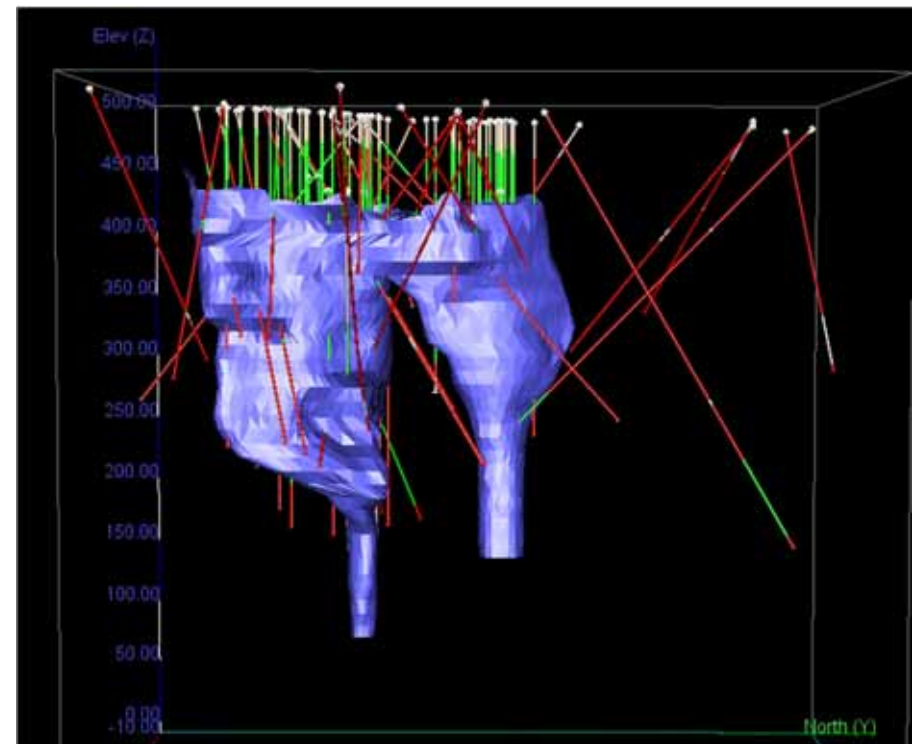
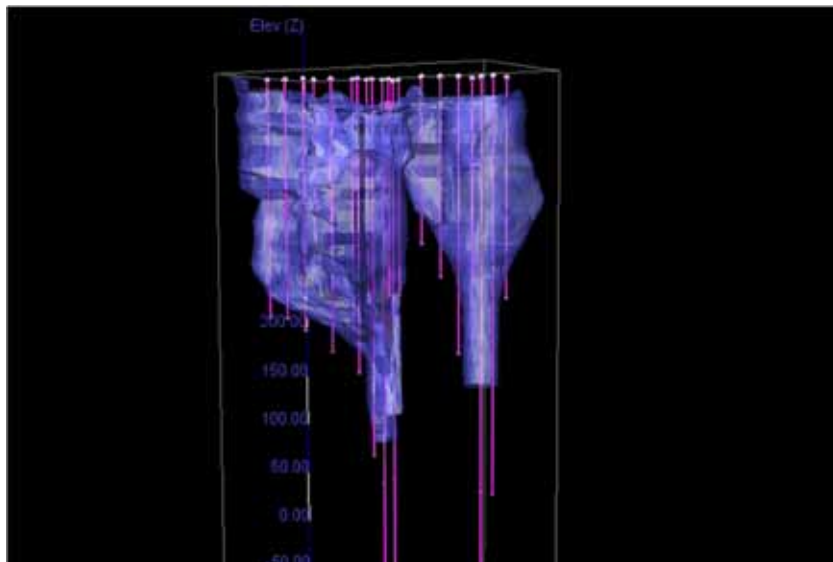


Recovered +1,000 stones >10 carats in size
Nunavut Diamond: 2.25ct diamond in Legislative Assembly Mace
59 carat gem sold for \$450,000
200 carat stone crushed by previous milling
No marketing agreements in place
Past marketing agreement with Tiffany's

Work Plan - Resource

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DEVELOP A NEW GEOLOGICAL MODEL USING TARGETED DRILLING FROM WITHIN THE OPEN PIT



Jericho Project

Attainable Milling Improvements

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Previous recoveries extraordinarily low

Expected recovery: 1.2-1.3 cpt

Average recovery (2 year period): 0.62 cpt

Improvements to systems = higher diamond recovery

Crushing and Sorting

- Addition of front end crusher and sizer to mill
- Decrease mill throughput
- Reduce load on High Pressure Grinding Roll (HPGR) crusher
- Smaller screens required
- Addition of grease table
- Add second pass of heavy media
- Establish formal plant maintenance plan

Jericho Diamond Mine

Stockpile Due Diligence

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Plan to determine feasibility of processing stockpiles using existing mill with possible modifications

Stockpiles & Tailings Audit Results:

- **25,000 tonne*** Recovery Rejects:
 - 308.8 kg @11.3 cpt
 - 4,048.5 kg @ 14.5 cpt
- **900,000 tonne*** Processed Kimberlite Tails:
 - 1,345 kg @ 0.84 cpt

Shear has engaged DRA International to evaluate this potential



Jericho Project

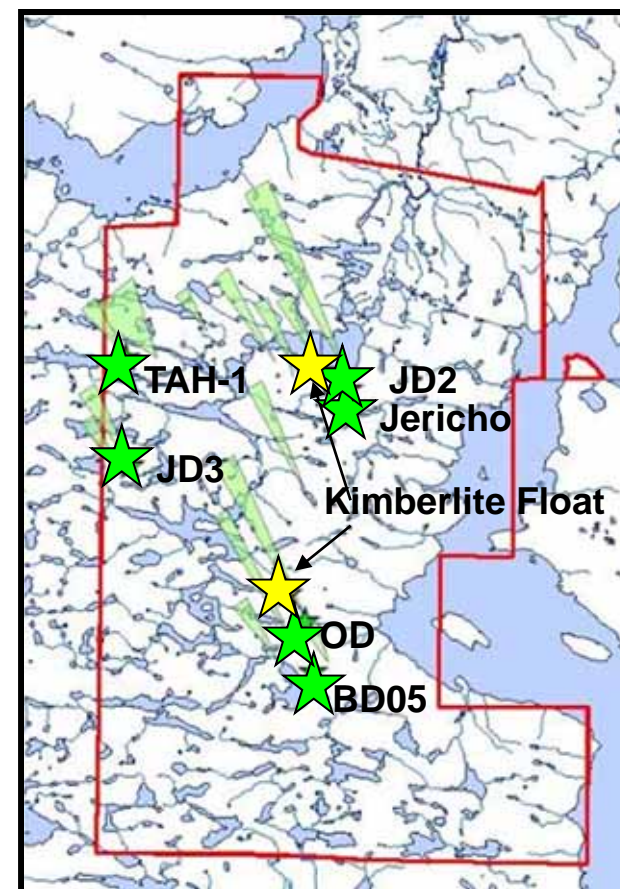
Near Mine Exploration Potential

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Carat Property: within 10 km trucking distance

Highlights	
Shear's Ownership:	100%
Trucking Distance to Jericho:	10 km
Land Position:	68,000 acres
Known Kimberlites:	★ 6
Kimberlite Indicator Dispersion Trails:	5
Unsourced Kimberlite Float:	★ 2

JD3 – 493t RC bulk sample: 135 cts = 0.27 cpt
JD2 – 219kg modelled microdiamond grade = 1.79 cpt



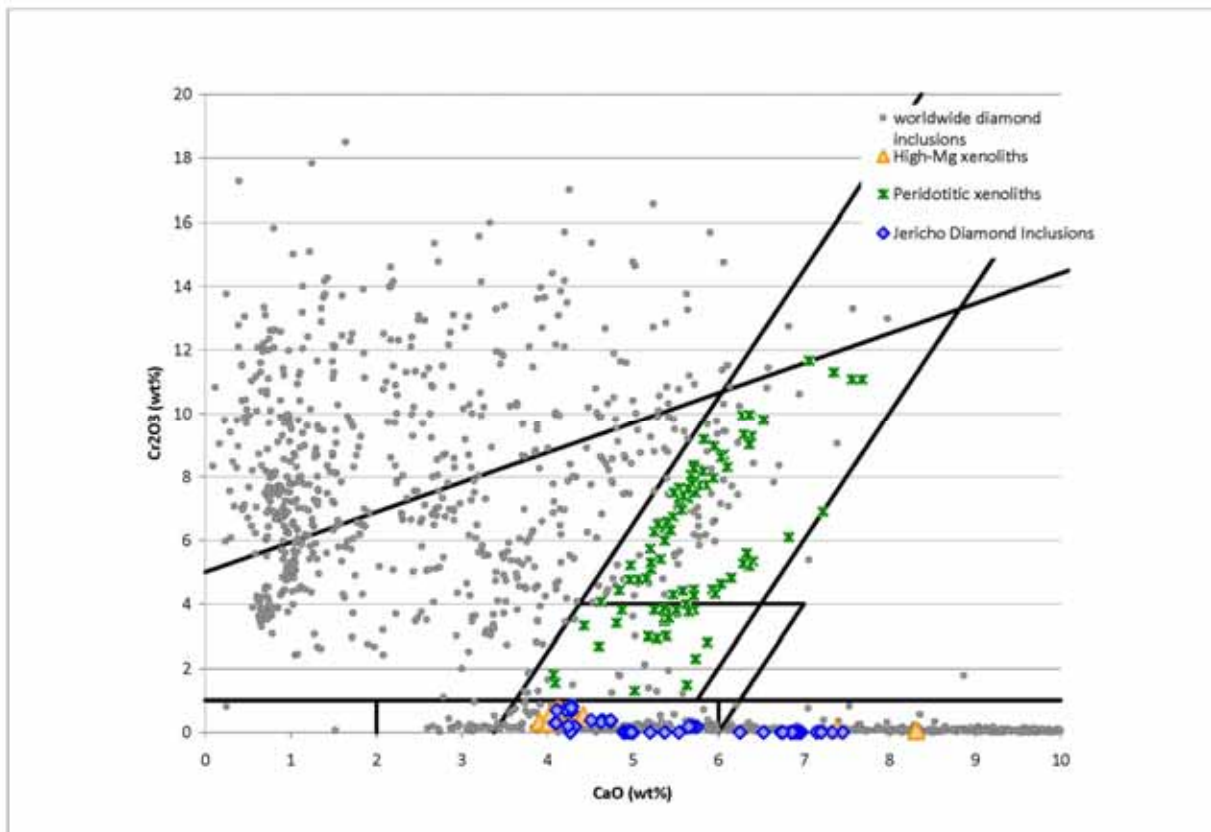
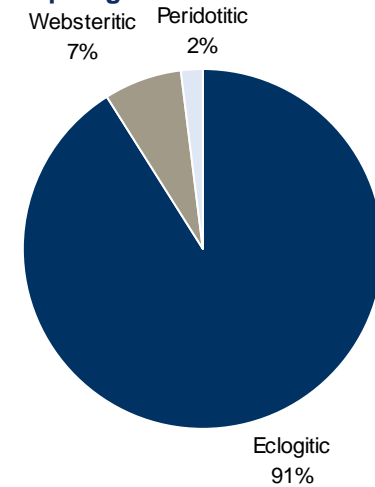
Jericho Mineral Chemistry

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Diamondiferous eclogite from Jericho⁽¹⁾



Source paragenesis of Jericho diamonds⁽²⁾



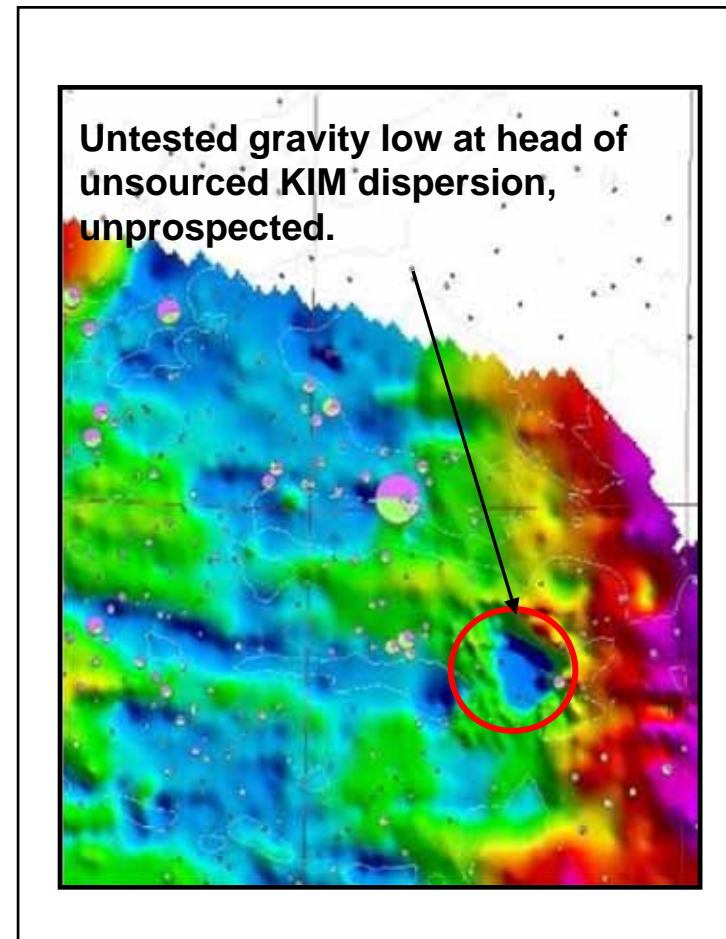
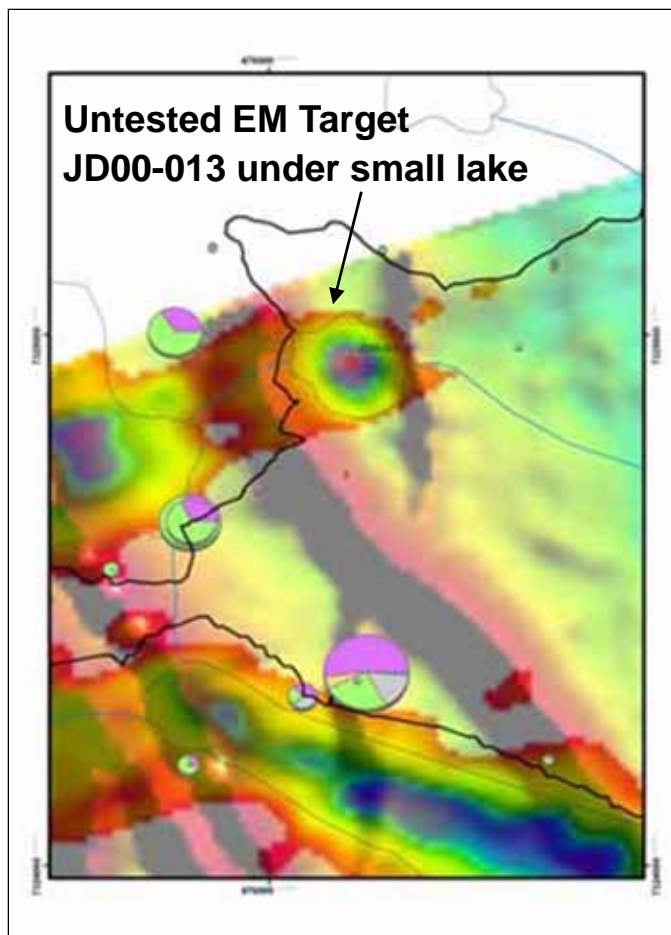
(1) Sample JDE01, Katie Smart, University of Alberta

(2) De Stefano et al., 2008

Jericho Project *Near Mine Upside*

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Carat Property: Numerous Untested Targets



Great Bear Project

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Great Bear Highlights

Shear's Ownership:	50-100%
JV Partners:	De Beers + Rio Tinto
Location:	NWT, NU
Land Package:	112,000 acres
Known Kimberlites:	20
Sub-projects:	5



20 Known Kimberlites on 5 Sub-projects

1) Polar Property

Size: 70,000 acres

Known Kimberlites: 4

- **Muskox:** 928 t RC bulk sample yielding 477 cts -0.51 cpt, 3.5ha
- **Voyageur:** 17.1 t PQ BS yielding 0.75 cts - 4 cph

2) Ranch Lake Kimberlite

Size: 18,444 acres

- 12.4 ha estimated to host 58 Mt grading 0.3-0.35 cpt

3) Rockinghorse Property

Size: 104,579 acres

Anuri Kimberlite

- 3.98 t recovered 3.09 cts
- 26 t bulk sample graded 0.35cpt
- diamonds being valued by Rio Tinto
- Two lobes 225x150m and

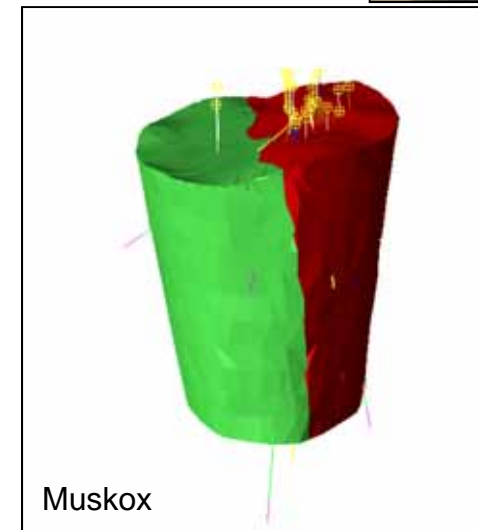
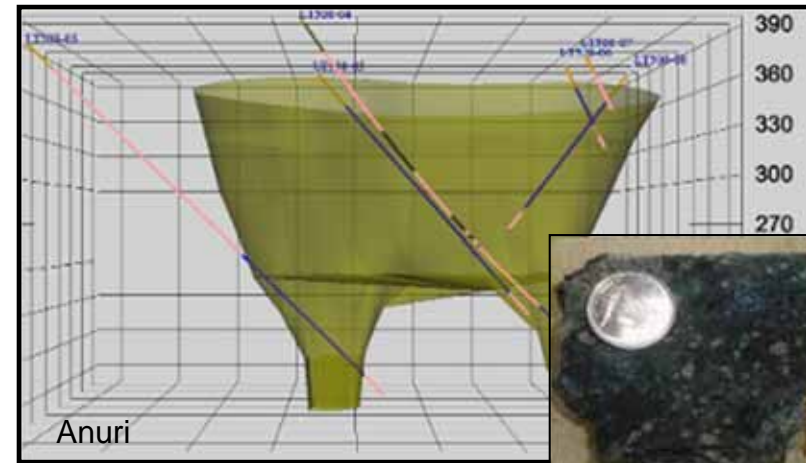
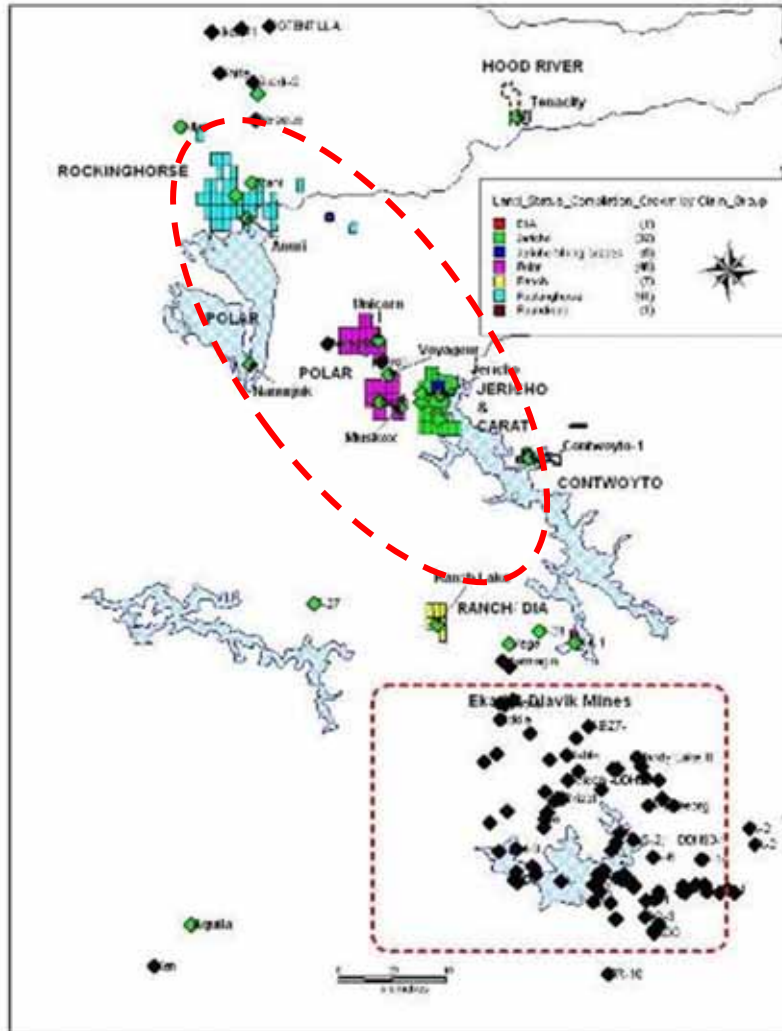
100x100m

4) Contwoyto

5) Tenacity

Great Bear Project

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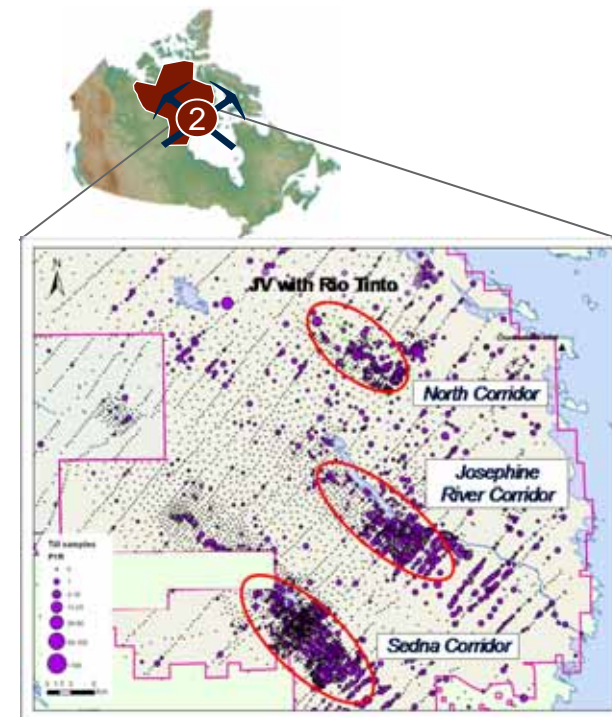


Churchill Project

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Churchill Highlights

Shear's Ownership:	62.78%
Location:	Nunavut
Land Package:	600,000 acres
Known Kimberlites:	88
Kimberlite Dykes:	4
Targets:	+400



High Quality Diamonds

Mini bulk samples returned grades up to 2.2 cpt

High grade dykes identified

Many high quality diamonds already extracted

Diamond parcels ready for valuation

Rio Tinto funded 2010 Chesterfield Inlet drill program



Kimberlite Name	Body Type	Grade (cpt) >0.85mm	Tonnes Processed	Carats	Width (m)	Length (km)	Deepest Intersect (m)
Kahuna	Vertical Dyke	1.04	356	337	3.5-4	5.5	152
Notch	Vertical Dyke	0.862	17	14.8	1.5	3	80

Our Growing Team

TSXV:SRM

Julie Lassonde

Executive Chair & Director

Pamela Strand, P. Geol.

President & CEO, Director

Darcy Ogrodnick

Interim CFO

Jennifer Burgess, P. Geol.

VP Exploration

Fred Mason

VP Operations

Allison Rippin Armstrong

VP Permitting and Environment

Michelle Tanquay

Manager Environment

Denise Lockett

Community & Government Relations

David Prince

Director

Greg Missal

Director

Gregory Rieveley

Director

**Shear's team has a Northern track record for discovering
and developing diamond mines**



- **Portfolio of diamond properties in favourable mining jurisdictions**
- **Defined 2011 exploration program to advance Jericho Diamond Mine**
- **Experienced management team with strong track record in the North**
- **Steady news flow through 2011**
- **Market capitalization less than infrastructure value**

ACKNOWLEDGEMENTS



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada



KITIKMEOT INUIT ASSOCIATION



Rio Tinto
DE BEERS



Thank you. Questions?
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