

Shear Diamonds 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 has a portfolio of diamond projects including a 100% interest in the past-producing Jericho diamond mine and surrounding exploration assets, located in the Kitikmeot region of Nunavut.

Flagship Asset	100% owner of past-producing Jericho Diamond Mine ¹
Current Resource²	1.88 million carats indicated 1.13 million carats inferred
Exploration	Excellent exploration potential, 2011 drilling program complete
Infrastructure	\$200M previously invested in infrastructure, fully functional camp
Jurisdiction	Assets located in Nunavut – favourable mining jurisdiction
Management	Experienced team with strong track record Over 50 cumulative years operating in the North
Processing	Current rehabilitation of process plant
Diamond Market	Strong supply/demand dynamics expected to support prices

Jericho Diamond Mine

Kitikmeot Region, Nunavut

JERICHO FAST FACTS

Shear's Ownership:	100% ¹
Location:	Nunavut
Previously Mined & Recovered:	January 2006 – May 2008
Kimberlite Mined:	1.5 million tonnes
Kimberlite Processed:	1.2 million tonnes
Carats Recovered:	780,000 carats
Mine Type:	Open pit mine
Previous Investment:	C\$350M (includes exploration and infrastructure)
Indicated Resource:	1.88 million carats ²
Inferred Resource:	1.13 million carats ²

HISTORY

1995	Jericho discovered
1998 – 2004	Exploration and development
2005 – 2006	Construction of Jericho Mine
2006 – 2008	Operated by Tahera Diamond Corporation
2008	Tahera granted bankruptcy court-protection and suspended operations
2010	Shear completes court-sanctioned transaction and acquires Jericho in August 2010

EXISTING INFRASTRUCTURE

- C\$200M previously invested in infrastructure
 - 2,000 tpd diamond plant, maintenance shop, fuel farm, fully functional camp
- Excellent project access via air and winter road
- Operating permits in place

LARGE DIAMOND POTENTIAL

- Over 1,000 stones greater than 10 carats each previously recovered at Jericho
- 59 carat gem sold for \$450,000
- 200 carat stone crushed by previous milling

RESOURCE UPSIDE POTENTIAL

- New geological interpretation and 3-D model completed in Q3 2011

STOCKPILE UPSIDE

- Started processing stockpiles in Q4 2011

ATTAINABLE MILLING IMPROVEMENTS

- Previous recoveries extraordinarily low (0.62 cpt average vs. 1.05 cpt expected)
- Improvements made to systems to achieve higher diamond recovery

Trading Statistics

As at January 11, 2012

TSX-V: SRM

Current Share price

\$0.32

Market Capitalization

\$15M

52 Week High/Low

\$0.65/\$0.12

3 Month Avg. Daily Volume

366,000 shares

Financial Overview

As at August 31, 2011

Cash

\$2.5M

Debt (Secured Notes)

\$2.3M

Share Structure

As at October 31, 2011

Shares Issued & Outstanding:

45,901,123

Stock Options Outstanding:

3,723,500

Warrants Outstanding:

18,270,625

Property Options Outstanding:

40,000

Shares Fully Diluted:

67,935,248

Excellent New Discovery Potential

Carat Property – Near Mine Exploration Potential

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

Churchill

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

387 cts parcel undergoing valuation

Great Bear

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

Shear is Nunavut Focused

- Nunavut is mining friendly
- Nunavut is seeking a sustainable future through mining
- Permitting process is well defined
- Strong partnerships in place: Kitikmeot Inuit Association, Nunavut Tunngavik Inc., Nunavut Resources Corp.
- Multi-Award Recipient in Nunavut: Corporate Award, Environmental Award, Thomas Kudloo Award
- Underexplored Geology
- 2.25 carat "Nunavut Diamond" from the Jericho diamond mine on display in the Legislative Assembly Mace



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Chris Morton
VP Operations

Stephanie Autut
VP Environment and Community Affairs

Significant Shareholders

RBC Asset Management Inc.: 13.4%
Sprott Asset Management: 9.9%
Libra Advisors LLC: 9.4%

100% Owner of Past-producing Jericho Diamond Mine

Disclaimer

This fact sheet contains forward-looking statements, including but not limited to comments regarding predictions and projections. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. The TSX Venture Exchange has not reviewed the information on this fact sheet and does not accept responsibility for the adequacy or accuracy of it.

Qualified Person

Pamela Strand, P.Geol., Shear's President, is a qualified person for purposes of National Instrument 43-101, and has reviewed the information on this fact sheet.

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