



Suite 220, 17010 - 103 Avenue  
Edmonton, AB, Canada T5S 1K7  
Tel: 780-435-0045 Fax: 780-428-3476  
www.shearminerals.com  
**TSXV: SRM**

November 16, 2010

Dionne Filiatrault, P. Eng.,

Executive Director  
Nunavut Water Board  
PO Box 119  
Gjoa Haven, NU X0B 1J0  
Tel. 867.360.6338  
Fax. 867.360.6369  
Email: dionne@nunavutwaterboard.org

Dear Dionne:

**Re: Nunavut Water Board Licence No: 2AM-JER0410, COMPLIANCE ASSESSMENT**

We would like to take this opportunity to provide you with the Compliance Assessment, completed on the Jericho Diamond Mine water licence, 2AM-JER0410. This assessment was conducted to satisfy the requirement for a water licence renewal and represents the conditions at the time of purchase by Shear.

In addition to the non-compliant terms and conditions summarized in the enclosed document, there are also a number of physical non-compliances. These will be addressed in the Care and Maintenance Plan that will be submitted to your office at the end of January 2011. A Care and Maintenance Plan was never submitted by Tahera, nor was one submitted by subsequent authorities responsible for the site. As such, the project is not technically in Care and Maintenance. The Care and Maintenance Plan that Shear will submit will address how the site will be managed and how the programs will be implemented.

As you will note, a number of plans were never approved by the Nunavut Water Board (NWB). These plans are being re-written and/or updated, to reflect the issues, concerns and comments that were identified and provided to Tahera by the NWB and interveners. Shear will, to the best of our abilities, address the comments submitted. There are instances where this is not possible however, for example construction records, where files received by Shear do not contain the necessary information to pass on to your office. As well, there were construction activities that were undertaken and completed prior to the NWB having approved, or sometimes receiving, the required design plans and drawings. For the purposes of this document we will refer to these as instances as being superseded, meaning that the documents submitted were provided after the fact.

The water licence will expire at the end of December, 2010. The water licence renewal application package will be submitted to your office by the end of February 2011. An extension request for an additional sixty (60) days is being submitted by Shear to the NWB to allow sufficient time for the company to bring into compliance the plans that are described in the enclosed document.

We trust that the enclosed document will satisfy the compliance assessment requirement and will demonstrate to your office the level of effort being undertaken by Shear to bring the water licence into compliance.

If you require any further information please do not hesitate to contact either Allison Rippin Armstrong or myself.

Sincerely,

**Shear Minerals Inc. and Shear Diamonds (Nunavut) Corp.**

per:

A handwritten signature in dark ink, appearing to read "Pamela Strand", is shown on a light-colored rectangular background.

Pamela Strand, P. Geol.  
President & CEO

Cc: *Lou-Ann Cornacchio, INAC*  
*Patrick O'Neil, INAC*  
*Charlie Lyall, KitlA*  
*Allison Rippin Armstrong, Consultant*