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VIA EMAIL

November 17, 2010

Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU
X0B 1J0

Attention: Thomas Kabloona, Chair

Dear Mr. Kabloona:

Re: Renewal of Nunavut Water Board Water Licence 2AM-JER0410 (the "Water Licence") to Shear Diamonds (Nunavut) Corp. ("Shear Diamonds")

Pursuant to a Purchase and Sale Agreement dated July 16, 2010 (the "Purchase Agreement") Shear Minerals Ltd. ("Shear") purchased the Jericho Diamond Mine, located in the Nunavut Territory, along with related assets including the Water Licence. The vendors, Tahera Diamond Corporation ("Tahera") and Benachee Resources Inc. ("Benachee"), as insolvent entities, were subject to proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36.

Pursuant to an Order of the Ontario Superior Court of Justice dated July 27, 2010 (the "Court Order"), Tahera and Benachee were authorized and directed by the Court to carry out the transactions contemplated by the Purchase Agreement and they conveyed the Jericho Diamond Mine and related assets to Shear Diamonds, a wholly-owned subsidiary of Shear. The Court Order also provided that the Nunavut Water Board was to review and consider the assignment of the Water Licence from Benachee to Shear Diamonds forthwith. Shear Diamonds is currently in discussions with the Nunavut Water Board with respect to the assignment of the Water Licence, the term of which licence expires on December 31, 2010.

In light of the timing of the sale of the Jericho Diamond Mine and the fact that the Water Licence was non-compliant prior to the sale, there is insufficient time for the renewal application and review process to be completed prior to the December 31, 2010 deadline. Shear Diamonds is working diligently to bring the Water Licence into compliance and together with such efforts is

seeking the immediate assignment of the Water Licence to Shear Diamonds contemporaneously with an extension of the term of the water licence for sixty days to March 1, 2011.

The extension of the term of the Water Licence is necessary for two reasons: (a) to provide Shear Diamonds with time to complete a non-compliance audit and to prepare all drawings, inspector's reports and other documentation required to be submitted with the renewal application, and (b) to provide the Nunavut Water Board with the time it requires to consider the renewal application including, if necessary, the holding of public hearings with respect to the renewal.

Section 52(1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, S.C. 2002, c. 10 (the "Act"), provides:

(1) Subject to subsection 37(2), a public hearing shall be held by the Board before it disposes of

(a) any application in relation to a licence, unless the application is of a class that is exempted by the regulations from the requirement of a public hearing.

Further, section 174 of the Act states:

(1) The regulations made under paragraph 33(1)(c) of the *Northwest Territories Waters Act* are deemed, in relation to the use of waters or the deposit of waste in Nunavut, to prescribe, as classes of applications that are exempt from the requirement of a public hearing, the classes of applications in relation to the following:

(a) in the case of a Type A licence,

....

(iii) one or several renewals of a total duration not exceeding sixty days

If the Water Licence is extended as requested, Shear Diamonds will have an opportunity to bring into compliance all of the necessary plans for the Water Licence renewal application. In this regard, Shear Diamonds has attached its outline for the renewal application process, which describes the steps required to be taken necessary and the anticipated dates on which those steps will be completed.¹

We request your consent to a determination by the Nunavut Water Board for a sixty-day extension of the terms of the Water Licence to March 1, 2011 for the reasons above noted.

¹ Please see the attached Schedule A: Plan for Renewal Application.

We request your attention to this issue on an urgent basis and look forward to a response from your office at your earliest opportunity.

Yours very truly,

Shear Minerals Ltd.

A handwritten signature in dark ink, reading "Pamela Strand", is displayed on a light gray rectangular background.

Pamela Strand, President

cc: Dionne Filiatrault, Nunavut Water Board
Patrick O'Neill, Indian and Northern Affairs Canada
Robert Thornton, Thornton Grout Finnigan LLP

Schedule A: Plan for Renewal Application
[NTD: To be discussed & dates to be established]

Date	Event
	Non-compliance audit completed.
December 31, 2010	Term of existing Water Licence expires.
	Anticipated completion of as-built drawings for all major structures constructed on site, particularly those that divert, retain, hold water, waste and the fuel containment facility.
	Anticipated completion of other drawings, inspector's reports and other documentation required under the Water Licence to be submitted with the renewal application.
	Submission of the completed renewal application to the Board, including consideration of all outstanding non-compliances.
	Remedial action to be commenced in accordance with results of the non-compliance audit.
As soon as possible thereafter.	Matter to be heard by Board.
March 1, 2011	Expiry of additional proposed 60-day term of Water Licence.