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February 28, 2011

Phyllis Beaulieu
Licensing Manager
Nunavut Water Board
PO Box 119
Gjoa Haven, NU X0B 1J0
Tel. 867.360.6338
Fax. 867.360.6369
Email: licensing@nunavutwaterboard.org

Dear Ms. Beaulieu:

Re: Nunavut Water Board Licence No: 2AM-JER0410, WATER LICENCE RENEWAL APPLICATION

We would like to take this opportunity to provide you with the water licence renewal application package, completed for the Jericho Diamond Mine water licence, 2AM-JER0410.

As you are aware, Shear Diamonds (Nunavut) Corp. (Shear) recently submitted an amendment request (January 31, 2011) to extend the term of the water licence to March 1, 2012. At the present time, Shear has not yet received any indication from the INAC Minister as to whether this request has been approved. This renewal application is being submitted in the absence of this knowledge.

The following documents are being submitted:

- a completed water licence renewal application form
- updated plans:
 - C1 Diversion Construction Summary
 - Fuel Storage Containment Facility Design Plan
 - Landfill Design Plan
 - Landfill Management Plan
 - Preliminary Landfarm Design Plan
 - Landfarm Management Plan
 - Contingency Management Plan
 - Wastewater Management Plan
 - Operations, Maintenance and Surveillance Manual - PKCA Dams
 - Emergency Preparedness and Response Plan For Dam Emergencies
 - Waste Rock Management Plan
 - Waste Management Plan
 - Interim Closure and Reclamation Plan
- updated security assessment that includes a reclamation summary (see Notes)
- updated financial statement
- compliance assessment/status report

- executive summary - English and Inuinnaqtun (Inuktitut to follow)
- \$30.00 application fee
- \$30.00 water use fee

The documents being submitted with this application accompany the earlier filings by Shear Diamonds on January 31, 2011, to the Nunavut Water Board which accompanied the emergency amendment request; Care and Maintenance Plan, Site Water Management Plan, General Monitoring Plan, Processed Kimberlite Management Plan, and the Aquatic Effects Monitoring Plan.

We look forward to discussing our application and the plan moving forward with you in the very near future.

If you require any further information please do not hesitate to contact either Allison Rippin Armstrong, ar_enviro@yahoo.ca, or myself.

Sincerely,

Shear Diamonds (Nunavut) Corp.

per:



Pamela Strand, P. Geol.
President & CEO
pstrand@shearminerals.com

cc: Robin Aitken, Regional Director General, INAC Nunavut Regional Office

Charlie Evalik, President, Kitikmeot Inuit Association

Jim Rogers, Manager Water Resources, INAC Nunavut Regional Office

Glen Stephens, Director, Land and Water Management, INAC Ottawa

Hon. Peter Taptuna, Deputy Premier, Minister of Economic Development & Transportation,
Minister Responsible for Mines, Deputy Premier, Government of Nunavut

Stephanie Autut, Executive Director, NIRB

Sharon Ehloak, Executive Director, NPC