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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYIT
OFFICE DES EAUX DU NUNAVUT

NWB File No: 2AM-JER0410

May 11, 2011

Pamela Strand, P. Geol.
President and CEO
Shear Diamonds (Nunavut) Corp.
Suite 220, 17010 – 103 Avenue
Edmonton, AB T5S 1K7
E-mail: pstrand@shearminerals.com

Re: Licence No. 2AM-JER0410; Notice of Application for Renewal of a Type “A” Water Licence

Dear Ms. Strand:

Further to the Nunavut Water Board (NWB or Board) letter of March 21, 2011 with respect to the Application for renewal of Water Licence No. 2AM-JER0410 (Application) by Shear Diamond (Nunavut) Corp. (the Company or Shear) and the determination of completeness of the Application and supporting documentation for the Jericho Project, the Board received comments from various interested parties including Indian and Northern Affairs (INAC) and Environment Canada (EC). Fisheries and Oceans Canada (FOC) and the Kitikmeot Inuit Association (KIA) provided comments related to the Jericho Care and Maintenance Plan. Based on the comments received, and subject to the direction of the Nunavut Impact Review Board (NIRB), regarding pre-licensing considerations (as discussed in the Board's previous correspondence of March 21, 2011), the NWB has determined that the Application can proceed to the next steps in the NWB's regulatory process.

The comments received have been placed in the Board's Public Registry and are available from our ftp site using the following access (Username: *public* and Password: *registry*) and link:

<ftp://nunavutwaterboard.org/1%20PRUC/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-JER0410/2%20ADMIN/3%20SUBMISSIONS/2011%20Renewal/>

Based on our initial review of your submission and the comments received, your application is deemed to be an application for a Type “A” water licence, which will require a public hearing as per applicable provisions of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWNSTRA or Act). All public hearing matters will be carried out in accordance with the Board's *Rules of Practice and Procedure for Public Hearing* dated May 11, 2005 (NWB Rules).

The NWB has determined through a completeness check that the application and supporting information provided by Shear constitutes an administratively and materially complete application in accordance with

the Guides¹.

The NWB acknowledges that the Jericho Project location is in an area without an approved land use plan. Therefore pursuant to 12.3.5² of the Nunavut Land Claim Agreement (NLCA), the NWB forwarded the application to the Nunavut Impact Review Board (NIRB) to determine if your application requires further screening, reconsideration of the terms and conditions of the current Project Certificate,³ or a review under Part 5 or Part 6⁴ of the NLCA. As identified previously in our letter of March 21, pursuant to s. 39(1) of the Act, the NWB may not issue, renew, or amend a licence until the NIRB has completed the screening, reconsideration or, where a review is required, issued a new project certificate. However, recognizing the direction of the Courts to the NWB in processing this application, while the Board awaits the direction of the NIRB regarding the pre-licensing process that may be required, the Board will continue to the next steps in processing the application.

In accordance with subsection 55(1) of the Act, the Board gives notice of the application and invites interested persons to make representation to the Board by no later than **June 10, 2011**. Parties are advised that the consequences of failure to respond are outlined in Section 59 and Subsection 60(2) of the Act⁵. In addition, notices for posting have been provided to the Hamlets and local organizations in the area most affected by the project.

By copy of this letter to the distribution list, all interested parties are requested to complete a thorough technical assessment of the Application for Type “A” Water License, which is available from the NWB Public Registry ftp site at the following link:

<ftp://nunavutwaterboard.org/1%20PRUC/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-JER0410/1%20APPLICATION/2011%20Renewal/>

or by contacting Shear Diamonds (Nunavut) Corp. directly at pstrand@shearminerals.com.

Throughout the technical review phase, interested parties are encouraged to work cooperatively with Shear to discuss issues in advance of the proposed technical meetings. However, the NWB requests to be kept informed of any issues and any agreements reached between the parties on specific issues. The Board asks that technical review comments, particularly for matters such as air quality, noise, and wildlife, be focused on only those aspects that involve the NWB’s jurisdiction over the use of waters and the deposit of waste in waters or that may enter waters. Comments shall be filed in writing to Phyllis

¹ The minimum information requirements set out in the NWB Guidance Document- *Guide 7 – Licensee Requirements Following the Issuance of a Water Licence, April 2010*, see Table 3.

² Article 12 of the Nunavut Land Claim Agreement (NLCA), Section 12.3.5 of the NLCA which states: In absence of an approved land use plan, all project proposals other than those that fall within Schedule 12-1 shall be referred directly to NIRB for screening.

³ A copy of the NIRB PC No. 002 is available from the ftp site, Username: public, Password: registry, at the following link:

<ftp://nunavutwaterboard.org/1%20PRUC/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AM-JER0410/2%20ADMIN/2%20NPC%20NIRB/1%20NIRB/>

⁴ Reference to Article 12 of the NLCA.

⁵ **Section 59.** In the circumstances described in paragraph 58(b), an applicant need not compensate the person under section 58 if the person fails to respond to the notice of application given under subsection 55(1) within the time period specified in the notice for making representations to the Board. **Section 60(2)** Subsection (1) does not apply in respect of a person referred to in that subsection who fails to respond to the notice of application given under subsection 55(1) within the time period specified in that notice for making representations to the Board.



Beaulieu, Manager of Licensing at licensing@nunavutwaterboard.org no later than 5:00 p.m. Mountain Time, **June 10, 2011**.

In accordance with Rule 14 of the NWB Rules, the Board has directed the staff of the NWB to hold a **Technical Meeting and Pre-hearing Conference (PHC)** in **Cambridge Bay, June 20-21, 2011**. A PHC decision will be issued following the PHC.

If you have any questions or require clarification on the above, please contact David Hohnstein, Director of Technical Services at (780) 443-4406 or by email to dts@nunavutwaterboard.org for any technical inquiries or, Phyllis Beaulieu, Manager of Licensing at (867) 360-6338 or by email licensing@nunavutwaterboard.org for any procedural inquiries.

Sincerely,



Dionne Filiatrault, P.Eng., F.E.C.
Executive Director

cc. Distribution List – Kitikmeot