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NUNAVUT IMALIRIYIN KATIMAYINGI  
NUNAVUT WATER BOARD  
OFFICE DES EAUX DU NUNAVUT

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NWB File No.: 2AM-JER0410

February 4, 2011

Ms. Pamela Strand, President & CEO  
Shear Diamonds (Nunavut) Corp.  
Suite 220, 17010 – 103 Avenue  
Edmonton, AB T5S 1K7  
Email: pstrand@shearminerals.com

**Subject: Request for Amendment to Alter the Term of Nunavut Water Board Licence  
2AM-JER0410 (the Water Licence)**

Dear Ms. Strand:

The Nunavut Water Board (NWB or the Board) acknowledges the submission by Shear Diamonds (Nunavut) Corp. (Shear Nunavut) on January 31, 2011 requesting an amendment to alter the term of the Water Licence from March 1, 2011 to March 1, 2012 to be processed on an emergency basis. Documents pertaining to this application are available from our ftp site (username *public* and password *registry*):

As identified in Shear Nunavut's request, the Water Licence was assigned to Shear Nunavut on December 17, 2010. In addition, at the time the Water Licence was assigned, the NWB granted Shear's request for a short-term renewal of the licence for a period of up to 60 days, and as a result, the Water Licence was renewed from the original expiry date of December 31, 2010 to March 1, 2011. This short term renewal was granted in order to allow Shear Nunavut to review the compliance status of the Water Licence and prepare a renewal application.

As indicated by the materials filed in support of Shear Nunavut's request for the Board to now grant an amendment to alter the term of the Water Licence by one year, Shear Nunavut has identified that there are a number of issues at the mine site that, if left unattended, will result in environmental contamination. Consequently, Shear Nunavut has asked that the Board process this amendment request without a hearing on an emergency basis pursuant to s. 174(1)(a)(ii) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWSRTA).<sup>1</sup>

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<sup>1</sup> Section 174. (1)(a)(ii) exempts from the requirement to hold a public hearing those Type A water licences that constitute "(ii) any amendment that affects the use, flow or quality of waters or alters the term of the licence, where the

The Board acknowledges that given the urgency associated with this application and the imminent expiry of the Water Licence, Shear Nunavut has also requested that the notice period for this amendment of the Water Licence be abridged from the usual 30 day time period to a minimum time period of no less than 10 days as “urgent circumstances” pursuant to subsection 55(4) of the NWNSRTA exist.<sup>2</sup>

Based on the information contained in the materials filed in support of Shear Nunavut’s request, the Board has determined that urgent circumstances do exist in this case, and that as a result, an abridged notice period of 10 days is appropriate for this Application, and parties are required to file their comments with the Board on or before February 14, 2011. In addition, reflecting the urgent circumstances in this case, the Board intends to act on the Application on or before February 18, 2011.

Please note that the Board wishes to clarify that although Shear Nunavut’s statement at page 2 of their request states that the Care and Maintenance Plan for the Jericho Mine attached to the request was provided for “review and approval”, given the considerable time constraints in processing Shear Nunavut’s one-year amendment request, the Board will only be considering the Care and Maintenance Plan insofar as it relates to the amendment of the term of the Water Licence at this time. The Board’s specific review and approval of the Care and Maintenance Plan will be completed in due course after the Board has issued a decision regarding Shear Nunavut’s extension request.

By copy of this letter to the distribution list and the enclosed notice of application sent to the council of the municipality or municipalities most affected by your application, we invite interested persons to make representations directly to the NWB within 10 days from the date of this letter. Please review the submitted information and provide comments to the NWB on or before 3:00 pm MST on February 14, 2011.

Sincerely,

*Original signed by:*

Phyllis Beaulieu  
Manger of Licensing

cc: Jericho Distribution List  
G. Stephens, INAC

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Nunavut Water Board, with the consent of the Minister, is of the opinion that an emergency exists that requires the amendment”

<sup>2</sup> Subsection 55(4) of the NWNSRTA states:

55(4) Where a public hearing is not held in relation to an application, the Board shall not act on the application until at least thirty days notice of the application that has been published under subsection (1) unless, in the opinion of the Board, there are urgent circumstances that justify the Board acting on that application in a shorter period, but that shorter period shall not be less than ten days.