



NIRB File No. 00MN059
NWB File No.: 2AM-JER1119
DFO File No.: NU-00-0068

December 12, 2013

Ian Gray
Regional Director General, Nunavut Region
Aboriginal Affairs and Northern Development Canada
Iqaluit, NU

and

Paul Emingak
Executive Director
Kitikmeot Inuit Association
Cambridge Bay, NU

Sent via email: ian.gray@aandc.gc.ca and pemingak@qiniq.com

Re: NIRB Request for Clarification from AANDC and the KIA regarding Ongoing Responsibilities for the Jericho Diamond Mine Site

Dear Sirs:

On December 4, 2013 the Nunavut Impact Review Board (NIRB or the Board) received the enclosed correspondence from Mr. Thomas Pladsen of "2208932 Ontario Inc.", in response to the NIRB's November 27, 2013 Monitoring Report for the Jericho Diamond Mine Project (NIRB File No. 00MN059). Given that the enclosed response outlines the project proponent's understanding that Aboriginal Affairs and Northern Development Canada (AANDC) has assumed responsibility for the continued care and maintenance of the Jericho Diamond Mine including responsibility for compliance with the NIRB Project Certificate [002] terms and conditions, the NIRB is seeking clarification from AANDC and the Kitikmeot Inuit Association (KIA) with respect to two key matters as set out below.

The NIRB Project Certificate [002] for the Jericho Diamond Mine was assigned to "Shear Diamonds (Nunavut) Corporation" (Shear Diamonds) on August 23, 2011. The NIRB has not received notice from Shear Diamonds, or any other party that AANDC has assumed responsibility for the continued care and maintenance of the Jericho Diamond Mine, and no request for re-assignment of the NIRB Project Certificate [002] has been received by the Board to date. As such, it is currently the NIRB's understanding that Shear Diamonds remains the legal

owner and operator of the Jericho Diamond Mine and is therefore responsible for ensuring compliance with all regulatory approvals for the mine, including the NIRB Project Certificate [002].

From the enclosed correspondence it appears that the financing for the Jericho Diamond Mine is currently undergoing restructuring and another operator for the mine may be sought. However, in the interim, Mr. Pladsen asserts that AANDC is responsible for the ongoing care and maintenance of the mine and as such, addressing areas of non-compliance with the NIRB Project Certificate [002] is AANDC's responsibility. As noted above, however, the NIRB currently has no indication that the rights and obligations associated with NIRB Project Certificate [002] have been assigned to AANDC or any party, and accordingly, the Board confirms that Shear Diamonds remains responsible to fulfill any outstanding obligations under the NIRB Project Certificate [002] until such time as the NIRB receives and grants a request for assignment to another party.

With respect to compliance with the obligations under the NIRB Project Certificate [002], the NIRB is responsible for monitoring compliance with the terms and conditions of Project Certificates issued under Article 12 of the Nunavut Land Claims Agreement (NLCA). The NIRB's primary objectives under the NLCA are also to protect and promote the existing and future well-being of the residents and communities of the Nunavut Settlement Area, and to protect the ecosystemic integrity of the Nunavut Settlement Area. It is with this in mind that the NIRB has actively sought and continues to seek responses from Shear Diamonds and updates from all agencies involved in monitoring the Jericho Diamond Mine for compliance with regulatory approvals and for potential environmental effects.

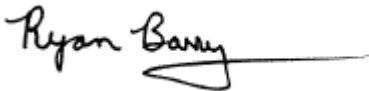
Reflecting this ongoing mandate and in light of updates provided by regulatory agencies earlier in the year, it is the Board's understanding that Shear Diamonds may be out of compliance with the majority of its regulatory approvals, licences and permits for the Jericho Diamond Mine, including the areas of non-compliance with the NIRB Project Certificate [002] identified recently in the Board's Monitoring Report. While there are currently no explicit prohibitions or consequences under the NLCA for instances of non-compliance with the terms and conditions of NIRB Project Certificates, the NIRB is aware that the legislation governing the regulatory approvals administered by several other agencies may offer additional tools to address instances of non-compliance as applicable for the Jericho Diamond Mine. Consequently, the Board respectfully requests that AANDC and the KIA outline what steps have been taken or are being planned to address significant non-compliance and preserve environmental protection at the Jericho Diamond Mine. The NIRB has particular interest in information regarding any inspections and maintenance work conducted or planned to preserve the integrity of on-site fuel containment and tailings containment structures.

Further, the NIRB acknowledges that both AANDC and the KIA hold forms of financial security for the Jericho Diamond Mine that may be accessed to ensure proper maintenance of the site, meet ongoing compliance obligations, undertake required environmental remediation, etc. At present, the Board has no information regarding the extent to which financial security is currently held by these parties or the extent to which existing security has been accessed for these purposes. The NIRB therefore requests an update from AANDC and the KIA regarding the financial security that is being maintained or that has been accessed by the parties for the purpose of ensuring environmental protection at the Jericho Diamond Mine.

In closing, the NIRB appreciates the assistance of AANDC, the KIA and other regulatory authorities in fulfillment of our monitoring role in respect of the Jericho Diamond Mine. Timely communication, receipt of regular updates and on-going exchange of information from all parties greatly assists the Board with being able to carry out this function as effectively and transparently as possible.

Should you have any questions or require clarification regarding the NIRB's requests, please contact Amanda Hanson, Director of Technical Services at (867) 983-4615 or via email at ahanson@nirb.ca.

Sincerely,



Ryan Barry
Executive Director
Nunavut Impact Review Board

cc: Thomas Pladsen, 2208932 Ontario Inc.
Manuel Rappaport, Shear Diamonds
Sandra Reid, Thornton Grout Finnigan LLP
Karen Costello, Aboriginal Affairs and Northern Development Canada
Murray Ball, Aboriginal Affairs and Northern Development Canada
Geoffrey Clark, Kitikmeot Inuit Association
Damien Côté, Nunavut Water Board
Jericho Distribution List

Enclosed: Proponent letter to NIRB Re Monitoring Report (December 4, 2013)