



January 22, 2014

Shear Diamonds (Nunavut) Corp.

Attn: Manuel Rappaport, Director

Chemin des Pins 123

1180, Uccle, Belgium

and

Attn: Thomas Pladsen, Chief Restructuring Officer

2208932 Ontario Inc.

#301, 141 Adelaide Street West

Toronto, ON MSH 3LS

Shear Diamonds (Nunavut) Corp.

220, 17010-103 Avenue

Edmonton, AB T5S 1K7

Suite 3300, 421 – 7 Ave. SW

Calgary, AB T2P 4K9

SENT VIA CANADA POST AND E-MAIL: manuel@tachediamonds.com;
thomaspladsen@hotmail.com

Re: Status of the Jericho Diamond Mine

Dear Sirs:

Pursuant to section 89 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, the Minister of Aboriginal Affairs and Northern Development (“**AANDC**”) believes that Shear Diamonds (Nunavut) Corp. (“**Shear**”) has closed or abandoned, temporarily or permanently the Jericho diamond mine. This belief is based on the following facts:

1. The Jericho site was closed by Shear on September 2, 2012. AANDC was formally informed by Shear of the temporary nature of the closure on September 6, 2012. A notice was sent to Shear by AANDC Inspector on September 18, 2012 identifying Shear’s requirements under the water licence #2AM-JER1119 with respect to temporary closure, including the requirement to come into compliance with and maintain all conditions of the licence.
2. An AANDC Inspector conducted an on-site inspection on September 13, 2012, accompanied by Julie Lassonde, President and CEO, Shear, and other Shear representatives. Several risks were identified on-site demonstrating that the site had not been adequately closed down. The Water Licence Inspection Report was issued



by AANDC Inspector on September 24, 2012 identifying: 1) work required prior to freeze-up in order to mitigate risks at the site and 2) various administrative requirements that were out of compliance (including the requirement to furnish the outstanding security).

3. Shear failed to meet its commitment to return to site during the winter of 2012 to properly shut down the site and to mitigate the potential risks to the environment. On March 8, 2013 AANDC Inspector issued a Direction, pursuant to section 87(1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, requiring that specific actions be taken prior to spring freshet in order to mitigate dangers to property and the environment. On March 26, 2013, Manuel Rappaport, on behalf of Shear, indicated the company's inability to comply with the Direction.
4. On April 4, 2013 AANDC notified Shear of its intent to undertake the work identified in the Direction and to utilize the security in order to undertake that work. No response was received and Shear made no attempt to resume care and control of the site. The AANDC Inspector conducted a fall inspection of the site on September 14, 2013 to ensure that the contractor was undertaking the required work to the satisfaction of the Inspector, and the Inspection Report was submitted to Shear on September 27, 2013. The report identified deterioration of the site's facilities. The response from Shear on October 4, 2013 confirmed that Shear remains unable to take steps to remedy any defaults under the licences and leases of Shear.
5. The AANDC Inspector notified the company on October 9, 2013 that the Department would continue to take such actions as required to counteract, mitigate, or remedy impacts to persons, property, or the environment pursuant to the Inspector's authorities under the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. No further response was received.

As per the requirements of the water licence issued to Shear, temporary mine closure should be consistent with the Mine Site Reclamation Guidelines for the Northwest Territories (2007) including specific measures that need to be implemented or completed upon temporary mine closure. Compliance with all applicable federal and territorial laws and regulations, and other existing authorizations is required during a temporary mine closure.

Since leaving the site in September 2012, Shear has failed to undertake any work to remedy deficiencies, mitigate risks, or otherwise maintain the site and assets in any way, creating potential adverse effects to persons, property and the environment. Although Shear has had ample time to address the defaults that were identified in the inspection reports and to conduct the work that was ordered by the Inspector's Direction, Shear has failed to address these deficiencies.



Shear continues to contravene conditions of the existing water licence and other provisions of the regulations under the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and the *Territorial Land Use Regulations*. Shear is in non-compliance with the Land Use Permits, and in breach of the Crown Land Leases. Additionally, Shear has not met the temporary closure requirements under the Mine Site Reclamation Guidelines. No action has been taken to address any of the existing administrative non-compliances, and the requirement to furnish the security has not been met.

It should be noted that, while the present decision regarding abandonment of the Jericho mine site gives the Minister the authority to *"take any reasonable measures to prevent, counteract, mitigate or remedy any resulting adverse effect on persons, property or the environment"* regarding the Jericho mine site, this decision does not terminate any of Shear's existing obligations under the legislation or regulatory instruments.

Sincerely,

Ian D. Gray
Regional Director General
Nunavut Regional Office
Aboriginal Affairs and Northern Development Canada

c.c.: Ryan Barry, Executive Director, Nunavut Impact Review Board
Damien Côté, Executive Director, Nunavut Water Board
Sandra Reid, Thornton Grout Finnigan LLP
Geoff Clark, Director, Lands, Environment and Resources, Kitikmeot Inuit Association
Mohan Denetto, Director, Northern Mineral Resources Directorate, AANDC