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Kugluktuk
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February 8, 2008

Bathurst Inlet
Kingaok
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Executive Director
Nunavut Water Board
P.O. Box 119,
Gjoa Haven,
Nunavut, X0B 1J0

Bay Chimo
Umingmaktok
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Dear Madam:

Cambridge Bay
Ikiluktutiak
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RE: Shear Diamonds (Nunavut) Application for Amendment to the Term of Nunavut Water Board Licence 2AM-JER0410 (the Water Licence)

Gjoa Haven
Okhoktok
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This letter is in response to the Nunavut Water Board's (NWB) Notice of the amendment application filed by Shear Diamonds (Nunavut) Corp. ("Shear") in relation to the captioned Type "A" water licence for Shear's Jericho Diamond Project. Shear has requested that its application to extend the Water Licence term from March 1, 2011 to March 1, 2012, be processed on an emergency basis pursuant to s. 174(1)(a)(ii) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWNSTRA).

Taloyoak
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Kugaaruk
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The Kitikmeot Inuit Association (KIA) has a Water Compensation Agreement with Shear which may be affected by the activities which will be undertaken in relation to the compliance requirements associated with the proposed water licence amendment. However, the KIA is not in a position to quantify the effects of the amendment on Inuit or on Inuit water rights until the KIA has reviewed the materials recently filed by Shear with the NWB, including any other information that is forthcoming during the amendment process.

In relation to the water compensation issue, KIA reminds the Board that s. 63 of the NWNSTRA must be respected. Section 63 of the Act reads:

63. (1) The Board shall not issue a licence in respect of a use of waters or a deposit of waste that may substantially affect the quality, quantity or flow of waters flowing through Inuit-owned land, unless
- (a) the applicant has entered into an agreement with the designated Inuit organization to pay compensation for any loss or damage that may be caused by the change; or
 - (b) where there is no agreement referred to in paragraph (a), the

Board has, on the request of the applicant or the designated Inuit organization, made a determination of the appropriate compensation.

(2) The payment of compensation referred to in paragraph (1)(b) shall be a condition of the licence.

(3) Unless otherwise determined by the Board, costs incurred by the designated Inuit organization as a result of a request referred to in paragraph (1)(b) shall be paid by the applicant.

The KIA will be addressing the water compensation issue in further submissions to the Board as the review process unfolds.

Yours truly,

A handwritten signature in dark ink, appearing to read "Geoffrey Clark". The signature is fluid and cursive, with the first name "Geoffrey" written in a larger, more prominent script than the last name "Clark".

Geoffrey Clark
Director, Lands and Environment
Kitikmeot Inuit Association

cc. Pamela Strand, Shear Diamonds (Nunavut) Ltd.
Paul Emingak, Acting Executive Director, Kitikmeot Inuit Association