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Suite 220, 6 Adelaide Street East  
Toronto, ON M5C 1H6  
Tel: 1-866-298-9695  
[www.sheardiamonds.com](http://www.sheardiamonds.com)  
[info@shearminerals.com](mailto:info@shearminerals.com)  
**TSXV: SRM**

September 15, 2011

***Via ELECTRONIC MAIL***

Dionne Filiatrault  
Executive Director  
Nunavut Water Board  
P.O. Box 119  
Gjoa Haven, NU  
X0B 1J0

Dear Ms. Filiatrault:

**Re: Request for Rescheduling – Public Hearing for Renewal of Water Licence  
2AM JER4010, Jericho Diamond Mine**

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The Nunavut Water Board has scheduled a Public Hearing in Kugluktuk on October 12 and 13, 2011 in relation to the application of Shear Diamonds Ltd. (Shear) for renewal of the Type A Water Licence cited above that Shear presently holds for the Jericho Diamond Mine under the *Nunavut Waters and Nunavut Surface Rights Tribunal Act (Act)*.

Since acquiring the mine in 2010, Shear has become aware of a number of issues that were not known to Shear at the time of the purchase. One of these involves the unexpected airborne dispersal of fine processed kimberlite from the processed kimberlite containment area into a series of adjacent water bodies.

The Kitikmeot Inuit Association (KIA) has expressed its concerns about this situation, and has asked Shear to forward the results of the water quality analyses conducted as part of the spring and summer Aquatic Effects Monitoring Program that forms part of the water licence. However, Shear has not yet received the full results of these analyses.

In the interim, Shear and the KIA have endeavoured to meet to discuss this situation as well as other matters of mutual interest that relate to the mine. However, due to circumstances beyond their control, Shear and the KIA have not yet been able to schedule the necessary meetings.

Shear believes it to be highly important for the two parties to have the opportunity to meet before the public hearing is held in order to address the concerns that the KIA has raised concerning the situation outlined above, and to discuss other matters that may bear on the renewal of the water licence. We therefore respectfully request that the Board postpone the

public hearing presently scheduled for October 12 and 13 in order to allow Shear and the KIA adequate time to meet.

Recognizing the importance of economic development to the Inuit of the Kitikmeot Region, Shear has discussed this proposal with the KIA who have orally confirmed their support for rescheduling the public hearing in order to allow the parties sufficient time to undertake the necessary discussions.

Given that the licence is set to expire on February 28, 2012, and taking into account the 60-day advance notice requirement established under subsection 55(2) of the Act, we respectfully recommend that the Board reschedule the public hearing to a date not later than December 15, 2011.

We appreciate your consideration of this request, and look forward to receiving your response.

Yours truly,  
**SHEAR DIAMONDS LTD.**



Julie Lassonde  
Executive Chairman and Chief Executive Officer

