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**TSXV: SRM**

August 15, 2011

Phyllis Beaulieu  
Manager of Licensing  
Nunavut Water Board  
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Dear Ms. Beaulieu:

**Re: Renewal Application of Type A Water Licence 2AM-JER0411 – General Commitment #16, Operational commitment list as made at the Technical Meeting and Pre-Hearing Conference, June 20<sup>th</sup> and 21<sup>st</sup>, 2011**

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During the Technical Meeting and Pre-Hearing Conference held on June 20 and 21, 2011 in Cambridge Bay, Shear Diamonds Ltd. (Shear) committed to providing a two (2) year operational plan to the Nunavut Water Board (Board). Shear has had difficulty in preparing this plan given the public nature of its company and the liabilities associated with publicizing operational plans. As a result, clarification was sought from the Board, Aboriginal Affairs and Northern Development (AAND) and the Kitikmeot Inuit Association (KIA). Additionally, this plan was to be submitted on August 15, 2011 along with all other deliverables agreed to during the technical meeting and pre-hearing conference held on June 20 and 21, 2011.

Based on the clarification sought from the Parties noted above, Shear is prepared to file a two (2) year Implementation Schedule which will identify the major steps moving forward and into production and what reports/plans would be required prior to each key step. Additionally, Shear commits to revisiting and updating this schedule on a quarterly basis, namely February, May, August and November of each year. Not only does this allow Shear to be more realistic in presenting information usable by its shareholders, but it also provides greater certainty and allows for better time management for all Parties who play a role in reviewing and or approving these various plans.

Shear has not been able to complete this deliverable for August 15, given that further clarification was required from the Parties. We are hereby requesting that an extension be granted to August 22, 2011 in order to allow Shear to properly prepare an implementation

schedule and identify its plans moving forward over the next two (2) years. Both AAND and the KIA have given their support for this extension.

If you have any questions, or require any additional information, please do not hesitate to contact Stephanie Autut, VP, Environment and Community Affairs, either by email at [sautut@sheardiamonds.com](mailto:sautut@sheardiamonds.com) or by phone at (780) 435-0045. Shear looks forward to working with the Board toward the development of the renewed Type A water licence for the Jericho Diamond Mine.

Sincerely,



Pamela Strand, M.Sc., P. Geol.  
President



Julie Lassonde Gray  
Executive Chairman & CEO

cc: Bernie MacIsaac, Director of Operations, AANDC – NU Region  
Geoff Clark, Director, Lands and Environment, KIA