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July 11, 2011

Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
PO Box 119
Gjoa Haven, NU
X0A 1J0

Re: 2AM-JER0410 – Shear Diamonds (Nunavut) Corp. – Application for Renewal – Indian and Northern Affairs Canada Intervention to June 20-21, 2011 Pre-Hearing Technical Meeting

Dear Ms. Beaulieu,

We would like to provide the Nunavut Water Board with a copy of our reply letter to AANDC subsequent to their June 13, 2011 intervention to the above listed Type A Water Licence renewal. After the Pre-Hearing technical meetings held in Cambridge Bay in June 2011, Shear is confident that it has addressed the issues brought forward to date and confirmed by the NWB at its July 4, 2011 Pre-Hearing Conference Decision. Shear would like to express our willingness to continue to co-operate moving forward.

Shear would like to clearly reiterate that we are pursuing a full Type A Water Licence that enables us to re-commence full scale mining in addition to support current ongoing activities at site.

We look forward to addressing the commitments set out in the List of Commitments attached to NWB's letter of June 22, 2011, in advance of the public hearing scheduled for October.

Sincerely,

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

Julie Lassonde Gray
Executive Chairman & CEO