

Water Resources Division
Nunavut Regional Office
Iqaluit, NU X0A 0H0

April 21, 2011

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

**Re: 2AM-JER0410 – Jericho Diamond Mine – Shear Diamonds Ltd. –
Application for Renewal**

Please be advised that Indian and Northern Affairs Canada (INAC) has completed a review of the above noted Application for Renewal.

The Nunavut Water Board (NWB) distributed the application for comment on March 21, 2011.

In conducting this review, I have referred to all documents on the Nunavut Water Board FTP site as it relates to 2AM-JER0410. Attached is a Technical Review Memorandum for your consideration.

Please feel free to contact me should you have any questions or comments. I can be reached at (867) 975-4566 or by email at tanya.trenholm@inac.gc.ca.

Sincerely,

Original signed by

Tanya Trenholm
Pollution Policy Specialist

Technical Review Memorandum

To: Phyllis Beaulieu, Manager of Licensing - Nunavut Water Board

From: Tanya Trenholm, Pollution Policy Specialist - Indian and Northern Affairs
Canada – Water Resources Division

**Re: 2AM-JER0410 – Jericho Diamond Mine – Shear Diamonds Ltd. –
Application for Renewal**

Background Information:

The Applicant submitted a renewal application to the NWB on February 28, 2011. Shear Diamonds Ltd. (Shear) has requested a renewal of the Type A water licence 2AM-JER0410 for up to 10 years.

On August 27, 2010, the sale of the Jericho mine site and all existing tenure to Shear Diamonds was closed. As the site was acquired late in the season, Shear personnel did not have sufficient time prior to freeze-up to conduct a full assessment and evaluation of the site and its infrastructure.

Understanding the exceptionality of this situation, i.e. understanding that Shear has inherited an 'operational mine' that has been in a care and maintenance state for 2 seasons, and provided the timing of the acquisition (seasonal constraints affecting operations in the north), INAC offers the following comments:

Recommendations / Comments

The NWB should consider requesting a comprehensive schedule or plan from Shear Diamonds that outlines the submission of outstanding plans, or details relating to plans (i.e. exact location of landfill and land farm, costing assessment, etc) to meet the requirements of the Board.

Additionally, the proponent should outline its methodology for conveying and submitting updates to plans in a clear, efficient manner prior to the operational phase to meet the Boards requirements.

The proponent should note that costing estimate assessments should be undertaken by a third party.

Finally, given the nature of this project, INAC is in support of a 10 year licence term to allow for completion of proposed exploration, site evaluations, maintenance, upgrades, etc, and to allow for subsequent potential mine operation.

Please feel free to contact me at your convenience should you wish to further discuss any part of this submission to the Board. I can be reached at 867-975-4566 or via email, tanya.trenholm@inac.gc.ca.

Cc. Jim Rogers, Manager, Water Resources Division – Indian and Northern Affairs Canada;