



AANDC, Nunavut District Office  
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Iqaluit, NU, X0A 0H0

4 April 2013

**Shear Diamonds Ltd.**

Attn: Julie Lassonde-Gray, President and CEO  
Suite 3300, 421 – 7 Ave. SW,  
Calgary, AB T2P 4K9

And: Suite 220, 6 Adelaide St. E,  
Toronto, ON M5C 1H6

**Shear Diamonds (Nunavut) Corp.**

Attn: Julie Lassonde-Gray  
Suite 220, 6 Adelaide St. E,  
Toronto, Ontario M5C 1H6

And: Suite 220, 17010-103rd Ave,  
Edmonton, AB T5S 1K7

**Re: Inspector's Direction of March 8, 2013**

Dear Ms. Lassonde,

On March 8, 2013, I issued an Inspector's Direction to Shear Diamonds Ltd. and Shear Diamonds (Nunavut) Corp. (collectively, "Shear") pursuant to subsection 87(1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (the "Act"). The Direction required Shear to undertake corrective measures addressing certain non-compliance ("Non-compliance") with Water Licence 2AM-JER1119 ("Water Licence") and the Act at the Jericho Mine site. Item 10, "Measures to be taken" of the Direction required the following:

*To notify this Inspector without delay, and in any case no later than March 30, 2013, of Shear's plan to address the corrective measures required under this Direction. This response shall set out the proposed method to manage each corrective measure, along with a detailed chronology of activities and events that have been completed, or are to be taken, to address same.*

On March 26, 2013, I received an e-mail from Mr. Manuel Rappaport, a director of Shear Diamonds Ltd., which stated that "...due to its financial position and as a result of its sales process, Shear may be unable to respond to your letter and/or your concerns by the deadlines set forth therein."

As of the date hereof, I have received no further correspondence from Shear. It is my belief that Shear has failed to rectify the Non-compliance set out in the Direction or to provide a satisfactory plan to rectify same.

As indicated to you in the Direction, subsections 87(4) and 87(5) of the Act provide as follows:

*87(4) Where a person fails to comply with a direction given under subsection (1), the inspector may take the measures referred to in that subsection and may, for that purpose, enter any place in Nunavut, other than a place that is designed to be used and is being used as a permanent or temporary private dwelling-place.*

*87(5) Any portion of the reasonable costs incurred by Her Majesty in right of Canada under subsection (4) that is not recoverable from the security furnished and maintained*



*under section 76 may be recovered as a debt due to Her Majesty from the person to whom the direction was given.*

Based upon Mr. Rappaport's email and the facts outlined in the Direction, it is my belief that:

- Shear has not rectified the Non-compliance as of the date hereof;
- Shear has failed to comply with the terms of the Direction as of the date hereof;
- Shear has not provided a satisfactory plan to address the corrective measures required under the Direction as of the date hereof;
- the adverse effects of the Non-compliance are causing or may cause a danger to property and the environment, as set out in the Direction, and
- the likelihood and severity of risk posed by adverse effects associated with the Non-compliance will increase as a result of the upcoming spring freshet.

TAKE NOTICE that pursuant to my powers under subsections 87(4) and 87(5) of the Act, I intend to cause the corrective measures set out in the Direction to be undertaken, and that reasonable costs of Her Majesty will be recovered from existing security held by the Minister of Aboriginal Affairs and Northern Development Canada under Shear's Water Licence and the Act. Any costs of Her Majesty that are not recoverable from such security will form a debt due to her Majesty from Shear.

TAKE NOTICE that any security funds utilized for this Section 87(4) intervention must be replenished by Shear forthwith, otherwise this will form a separate continuing instance of non-compliance with the Act and Shear's Water Licence.

TAKE NOTICE that any actions caused to be taken by me under subsections 87(4) and 87(5) of the Act are without prejudice to:

- any further course of action taken or caused to be taken by me or any other representative of Her Majesty in respect of the Non-compliance or any other non-compliance with Shear's Water Licence or the Act including, but not limited to, amended or subsequent Inspector's Directions issuable to any person, corrective action, prosecution or injunction under any Act; and
- the exercise of any other power or duty of Her Majesty under any authority including, but not limited to, a declaration of temporary or permanent abandonment under section 89 of the Act, or cancellation of surface and mineral tenure under the *Territorial Lands Act*, and any leases issued thereunder.

I remind you that failure to comply with the Water Licence and failure to comply with the Direction are separate and continuing offences under Section 90 of the Act.

Sincerely,

Eva Paul

Water Resources Officer, Kitikmeot Region  
Aboriginal Affairs and Northern Development Canada



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- CC: Phyllis Beaulieu, Manager of Licensing, Nunavut Water Board
- CC: Julie Lassonde-Gray, Director, Shear Diamonds Ltd. and Shear Diamonds (Nunavut) Corp.  
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