



Julie Lassonde
Chief Executive Officer
Shear Diamonds
6 Adelaide Street East, Suite 220
Toronto, Ontario
M5C 1H6

RE: Type A Water Licence 2AM-JER1119

Dear Ms Lassonde:

Thank you for your letter of February 29, 2012, to Mohan Denetto, Director, Mineral Resources Directorate, Aboriginal Affairs Northern Development Canada (AANDC) and your letter of March 6, 2012, to Eva Paul of this Office with respect to Type A Water Licence 2AM-JER1119 issued to Shear Diamonds (Nunavut) Corp by the Nunavut Water Board in accordance with the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWNSRTA).

On February 7, 2012, the Licence came into effect. Under Part C, Item 1 of the License, you are required to furnish and maintain security in the amount of \$3,389,074 in the form and nature in accordance with the applicable regulation under the NWNSRTA, or satisfactory to the Minister of AANDC. Our records show that \$2,200,000 is currently held by AANDC in demand letters of credit under the License. Therefore, an additional \$1,189,074 of security is required under the License by March 8, 2012.

You have indicated that you will be unable to post the required additional security in the form of cash or letters of credit by March 8th, 2012, but that you are diligently working with AANDC officials to propose security acceptable to the Minister. Please be advised that under Section 90(2)(b) of NWNSRTA, a licensee holding a Type A license who fails, without reasonable excuse, to furnish or maintain security as required by the Nunavut Water Board under subsection 76(1), is guilty of an offence.

In your letter of March 6th, you have outlined several reasons for the delay in posting the required security and indicated that you would be in a position to do so by April 30, 2012. In an effort to facilitate compliance, please provide AANDC with the required security by April 30, 2012 in whatever form is identified as acceptable to the Minister in your discussions with appropriate AANDC officials. If I have not received confirmation of posting of security or received a satisfactory response from you by this date, I will determine appropriate action to be undertaken pursuant to the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* at that time.

Please note that the appropriate official to assist you with determination of the form of security acceptable to the Minister is Murray Ball, Manager of Water Resources, Nunavut Region of AANDC and I have forwarded your proposal on to Mr. Ball.



Sincerely,

Andrew Keim
Manager Field Operations

c.c. Nunavut Water Board
Kitikmeot Inuit Association
cc Murray Ball, Manager of Water Resources