



Ottawa, Canada K1A 0H4

MAR - 1 2011

Mr. Thomas Kabloona
Chair
Nunavut Water Board
PO Box 119
GJOA HAVEN NU X0B 1J0

Dear Mr. Kabloona:

Thank you for your letter of February 21, 2011, regarding the emergency amendment of the Type "A" Water Licence 2AM-JER0410 and the Reasons for Decision. I appreciate the rapid attention given by the Board for this amendment.

I have approved this licence amendment as required by the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. A signed original copy is enclosed for your records. A copy of this letter is being sent to Shear Diamonds (Nunavut) Corp. and the Kitikmeot Inuit Association, the Designated Inuit Organization, which holds surface land management authorities for the project area.

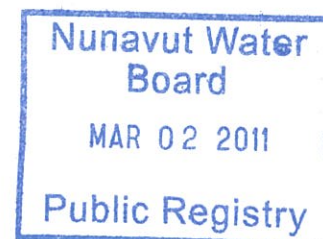
Again, I am thankful for the effort given by the Nunavut Water Board and their staff in the issuance of this licence amendment. The revised licence conditions demonstrate the Board's interest in ensuring that responsible water and waste management practices are applied in the Nunavut Settlement Area.

Sincerely,

John Duncan, PC, MP

Encl.

c.c.: Shear Diamonds (Nunavut) Corp.
Kitikmeot Inuit Association





**NUNAVUT WATER BOARD WATER LICENCE
ONE YEAR RENEWAL**

Pursuant to the Nunavut Waters and Nunavut Surface Rights Tribunal Act and the Agreement Between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in right of Canada, the Nunavut Water Board, hereinafter referred to as the Board, hereby grants to

**SHEAR DIAMONDS (NUNAVUT) CORP., A WHOLLY OWED SUBSIDIARY OF
SHEAR DIAMONDS LTD. (Assigned December 1, 2010)**

(Licensee)

SUITE 220-17010-103 AVENUE, EDMONTON, ALBERTA T5S 1K7

(Mailing Address)

hereinafter called the Licensee, the right to alter, divert or otherwise use water or dispose of waste for a period subject to restrictions and conditions contained within this Licence:

Licence Number/Type:	<u>2AM-JER0410 Type "A"</u>
Water Management Area:	<u>NUNAVUT 07</u>
Location:	<u>KITIKMEOT REGION, NUNAVUT</u>
Purpose:	<u>INDUSTRIAL WATER USE AND WASTE DISPOSAL</u>
Description:	<u>MINING AND PROCESSING</u>
Quantity of Water not to be Exceeded:	<u>350,400 CUBIC METRES ANNUALLY</u>
Date of Licence:	<u>DECEMBER 21, 2004</u>
Expiry of Licence:	<u>MARCH 1, 2012 (ORIGINALLY DECEMBER 31, 2010 AND RENEWED TO MARCH 1, 2011)</u>

This License issued and recorded at Baker Lake, Nunavut includes and is subject to the annexed conditions.


Thomas Kabloona, Chair
Nunavut Water Board

APPROVED BY:


Minister of Indian and
Northern Affairs Canada

EFFECTIVE DATE OF LICENCE:

MAR - 1 2011