



Memo

To: Carolanne Inglis-McQuay
From: Allison Rippin Armstrong
CC: Pamela Strand, Denise Lockett, Stephanie Briscoe, Kevin Buck
Date: March 7, 2007
Re: Shear Minerals Ltd. – Churchill Diamond Project Land Use Permit Amendment Application, 2007

It has come to our attention that the amendment application submitted by Shear Minerals in 2005 for the Churchill Diamond Project for the inclusion of a camp on Inuit Owned Land was not sent to NIRB for screening. Until today we were under the impression that our amendment application had undergone both a conformity screening with NPC and a screening with NIRB.

For this reason we are providing you with this memo summarizing the amendment application process leading to the approval and construction of the Sedna Camp on the Josephine Lake within the Kivalliq Region.

The Sedna Camp was constructed in 2005. All land use activities prior to the construction of the camp were based out of Rankin and Chesterfield Inlet. Field crews were flown daily via helicopter to work sites. While in the field in 2004, Shear employees worked with community members to select potential sites for a camp location. A site along the Josephine Lake was selected as it met the deep water requirement needed for adequate fresh water for domestic use under ice conditions.

Shear Minerals submitted an amendment application to the KIA and to the NWB for the inclusion of a temporary exploration camp. During the review process Shear Minerals was notified that there were concerns being raised in Chesterfield Inlet with regard to the location of the proposed camp. Josephine Lake is a Char lake that is fished by community members of both Chesterfield and Rankin Inlet. Shear Minerals flew to Chesterfield Inlet to meet with community members and hear their concerns. Shear Minerals then worked with the Chesterfield Inlet HTO to conduct a survey of lakes in the vicinity. The results of the survey indicated that the only lake that could provide fresh, clean water under ice conditions was Josephine Lake.

Shear Minerals traveled back to Chesterfield Inlet and held an open house information session and relayed the findings of the survey in a community meeting. The community of Chesterfield Inlet agreed to allow Shear Minerals to construct a camp on Josephine Lake and worked with Shear employees to locate an area that was not near sensitive spawning areas or fishing areas. Shear Minerals also worked closely with the community of Chesterfield Inlet to design a water quality monitoring program that addressed their concerns. As well, Shear

worked with elders to collect oral Traditional Knowledge of the Josephine Lake and Josephine River area. This project is evolving and is on-going.

Following these meetings, Shear Minerals met with the KIA and the CLARC's and presented the water quality monitoring program for the camp.

Shear Minerals also spent a week in Chesterfield Inlet in June 2005 providing informal information sessions and answering questions regarding the project. Many of the comments that were made during that week were concerns about the changing climate and the effects on the water levels in the Josephine River and Josephine Lake. Shear Minerals purchased a climate station that was established at the Sedna Camp so that local weather data could be collected and provided to the KIA and the community of Chesterfield Inlet for their own use.

Shear Minerals has continued to visit both Rankin and Chesterfield Inlet annually, providing information and project updates and presenting upcoming activities.

I have sent you copies of these 2005 amendment applications as well as copies of the water licence and land use permits with the terms and conditions. If there is any further information that you require, please do not hesitate to contact me at (780) 929-8344 or (780) 995-2499.

Regards,

Allison Rippin Armstrong