



**Deninu K'ue First Nation
Post Office Box 279,
Fort Resolution, NT
XOE OMO**

August 23, 2013

David Alexander
Project Manager
Northern Projects Management Office
5019 – 52nd Street
Yellowknife NT
X1A 1T5
Via Email: david.alexander@cannor.gc.ca

Re: Report of the Environmental Assessment of Avalon's Nechalacho Rare Earth Element Project (EA1011-001)

Dear Mr. Alexander:

On behalf of *Deninu Kuè First Nation* (DKFN), we would like to express our concerns with the Mackenzie Valley Environmental Impact Review Board's (Review Board) *Report of Environmental Assessment and Reason's for Decision* and that the Nechalacho Rare Earth Element Project (the Project) not be approved. Our reasoning for this decision is described below.

The proposed project, as outlined in the *Developer's Project Description Report*, the *Developer's Assessment Report* (DAR) and the Review Board's *Report of Environmental Assessment and Reason's for Decision*, is comprised of three major components:

1. Nechalacho Mine Site: located 100 km southeast of Yellowknife near Thor Lake.
2. Hydrometallurgical Plant Site: located at the former Pine Point mine site 102 km west of Fort Resolution.
3. Barging Route – Great Slave Lake: from the Nechalacho Mine Site to the Pine Point site.

Based on recent information released by the Developer in its Feasibility Study, it is anticipated that there is a good possibility that the scope of the project as described in the DAR will change. In its attempts to attain optimization goals and lower capital and operating costs the following changes may occur:

1. Nechalacho Mine Site: Changes to the delineation of the ore body to be mined and processed, resulting in changes to the ramp design. The Developer also states it has an improved floatation regime and an alternative grinding technology. It is expected that these changes would result in the amount of, and composition of, the waste rock and tailings.



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2. Hydrometallurgical Plant Site: An optimized hydrometallurgical process has been identified to crack all the minerals in the flotation concentrate to enhance metallurgical recoveries. This enhanced recovery process will require significant amounts of reagents and other products that are not available in the NWT that would add a significant cost burden to the company. As a result, the Developer is considering a hydrometallurgical plant site in the south.
3. Barging Route – Great Slave Lake: If the hydrometallurgical plant site is moved to the south the ore would be barged from the mine site to Hay River instead of Pine Point. Hay River is a much busier harbour and the impact on the infrastructure and current operations at Hay River is uncertain.

DKFN does not take issue with attaining optimization goals or lowering capital and operating costs, however, if in the process of achieving those goals the project changes significantly, in the interests of safety and ensuring applicable environmental protection measures, we believe that all substantive changes should be reviewed by the MVRB.

In a letter dated August 22, 2013 from Donald Bubar, President and CEO of the Developer (Avalon Rare Metals Inc.) to Vern Christensen, Executive Director of the Review Board, Mr. Bubar states: *“no decision has yet been made on the alternative process currently being evaluated and much more laboratory test work and analysis is required before any final decision will be made.”* This statement does cast some uncertainty as to whether the scope of the project as outlined in the DAR will remain the same or if these changes to the project scope will occur. Again, based upon “News” items on the Avalon web site, the process does appear to be more cost-effective and to some extent more environmentally sound. But that needs to be reviewed and the data is not before the MVRB yet.

Should these potential options come to fruition, the current environmental assessment will not adequately address the environmental effects of the project on the natural, social, cultural and economic environments. We therefore recommend that the Minister refer the *Report of Environmental Assessment and Reason's for Decision* back to the Review Board, as per section 130(1)(b)(i) of the Mackenzie Valley Resource Management Act, until the laboratory test work and analysis is concluded so that certainty for the project scope is achieved before any decisions by the Minister are made.

Finally, in direct reference to the *Report of Environmental Assessment and Reason's for Decision*, on page 137 (Culture, heritage and traditional land use), the Review Board writes: *“In its DAR, the Developer states that it is currently in negotiation with both the Yellowknives Dene First Nation and the Deninu Kue First Nation to establish Impact Benefit/Accommodation Agreements. These agreements will be structured to mitigate any adverse effects of the Project (emphasis added), define the benefits to the parties, including employment, and provide greater certainty with respect to the development of the Project (PR#76, p. 849).”*



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In order to achieve greater certainty in regards to mitigating "any adverse effects of the project" all parties need to be made aware of the true scope of the project. The potential changes to the scope of the project (as it was outlined in the DAR) should be reviewed by the MVRB as soon as Avalon has made a final decision as to the changes they need to make to that project. As always, time is of the essence. It behooves all parties to exchange relevant information in a timely manner, and we trust that all involved parties will.

Sincerely,

Chief Louis Balsillie

cc. Richard Edjericon, Chairperson – Mackenzie Valley Environmental Impact Review Board