



AVALON
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September 17, 2013

Mr. Matt Spence
Director General
Northern Projects Management Office
5019 – 52nd Street
Yellowknife,
NT X1A 1T5

Re: Comments on EIR Report for EIR1011-001 Avalon Nechalacho Rare Earth Element Project from Lutsel K'e Dene First Nation ("LKDFN")

Dear Mr. Spence,

I want to take this opportunity to comment on the above-referenced letter and address a few specific concerns expressed in the letter, in particular: the status of negotiations toward an IBA-type agreement between LKDFN and Avalon, our commitment to mitigating adverse impacts and the use of traditional knowledge in site development plans.

Community engagement regarding the Nechalacho Project has been conducted regularly with LKDFN dating back to 2007 (as detailed in our community engagement log), as well as numerous negotiation meetings with respect to an Accommodation (IBA-type) Agreement. This engagement record includes the comprehensive reviews completed during the scoping and technical review sessions and public hearings organized by MVEIRB for the EA process and participated in by LKDFN.

We assert that the record demonstrates we have engaged with LKDFN and addressed concerns raised about potential environmental impacts. The Accommodation Agreement essential terms were agreed to in January with the LKDFN negotiating team, who advised us then that the agreement only required final ratification by the community.

In January, some community members requested opportunities to further discuss environmental impacts. Since then we have had frequent communication with the LKDFN leadership attempting to arrange a general community meeting without success. However, we have had dialogue directly with the leadership regarding specific environmental concerns. We subsequently responded by incorporating additional language into the draft agreement to address concerns related specifically to bargaining, environmental monitoring, reporting and employment of an LKDFN environmental coordinator.

On traditional knowledge, interviews were conducted with Elders early on to gather traditional knowledge and this knowledge was used in some aspects of the project site

design such as the Tailings Management Facility. We submitted a plan to conduct traditional knowledge studies to appropriate Aboriginal governments / organizations before starting, and work only began after its acceptance. We appreciate that thinking on how to incorporate traditional knowledge into project development plans may have evolved since that time and, accordingly, we remain open to accepting further traditional knowledge input.

On benefits, Avalon has assured LKDFN that its members will receive training, employment and financial benefits from the project and has committed to doing this in the Accommodation Agreement. In fact, Avalon has already demonstrated this commitment by providing direct employment for LKDFN members and using service businesses in which LKDFN has a financial interest¹.

On an IBA type agreement, LKDFN assert that Avalon “has not reached an agreement with our First Nation”. One month prior to the August 23 letter (on July 24) Avalon representatives met with Chief and Council to discuss the Accommodation Agreement, where we were led to believe that all the outstanding issues had been resolved with the exception of some drafting details left for counsel to deal with. While these details have not been finalized, it is the understanding of both negotiating teams that an Accommodation Agreement has effectively been concluded between Avalon and LKDFN that only awaits ratification by the community, a process that we do not control.

Avalon considers that all substantive concerns raised by LKDFN in its August 23 letter relating to the proponent’s responsibilities have already been addressed, but we remain willing and open to clearing up any outstanding matters that may have been overlooked.

Our community relations team has compiled a more comprehensive record of engagement that we can provide should you require any further supporting information.

Yours very truly,
AVALON RARE METALS INC.



Donald S. Bubar
President and CEO

CC: MVEIRB

¹ Avalon’s expediting and air charter services since 2007 have been largely served by Discovery Mining Services and Discovery Air/Air Tindi which are both partially owned by Denesoline, which in turn is the LKDFN business corporation.