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FACSIMILE TRANSMITTAL SHEET

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FROM: Chief Boisillie

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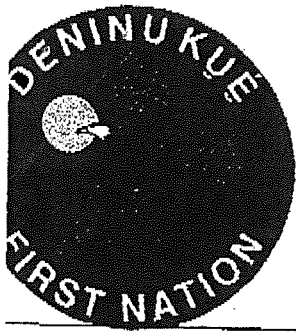
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RE: AVALON'S ANNOUNCEMENT

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

ATTENTION:



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

Don Bubar,
President and CEO Avalon Rare Metals Inc.,
130 Adelaide St. W, Suite 1901,
Toronto, ON, M5H 3P5

Dear Mr. Bubar,

I write regarding Avalon's announcement on Friday that the Pine Point processing plant was a no-go. Avalon's decision did not come as a surprise to us, nor to many others in the NWT. The DAR contained few substantive details as to the Pine Point operation itself. The information provided was for the most part of an "exploratory" nature. Yes, your company did submit a few token applications to the Land and Water Board for various permits and licenses, but again, few substantive details were provided.

When you began investigating the Geismar site in Louisiana we were convinced that you were not really interested in Pine Point, but again Avalon obfuscated, stating that it was just the final stage of the processing that would go to Louisiana. We asked about the rumours that Avalon would be processing the concentrate in southern Canada; yet again Avalon said that the Pine Point Processing Plant operation was a go.

What did surprise us was Avalon's timing in making the announcement. The powers that be at Avalon clearly decided to wait until after their approvals were obtained from the Mackenzie Valley Environmental Impact Review Board [MVRB] before making the announcement. Numerous construction and operational jobs on the south side of the lake, jobs that assisted Avalon in acquiring the cooperation of our Band, have disappeared, despite Avalon's constant reassurances. DKFN signed an Accommodation [Impact Benefit] Agreement with Avalon based upon misleading information pertaining to the totality of the project.

It now appears that the majority of the financial and economic benefits accruing from the HREE mining operation at Thor Lake will not be realized in the NWT. Yes – there will be underground mining jobs, and a number of camp-related jobs at the mine site itself, but although the ore that you require is being extracted from the territory of the Akaitcho First Nations, the remainder of the jobs and economic benefits will occur outside of our territory. Is SNC-Lavalin involved in this sleight of hand? According to your December 21, 2011 press release Avalon did hire SNC to oversee the project:

SNC-Lavalin will be responsible for completing the overall FS [Feasibility Study] including technical aspects of the hydrometallurgical plant and separation plant, as well as for integrating all other components of the Project assembled by Avalon and other subcontractors. (Dec 21, 2011).



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The powers that be at Avalon obviously had a lab somewhere working diligently on developing a new method of processing and refining the HREE concentrate. Your executive and board of directors must have known for well over a year now that Avalon would not be using the Pine Point site for a processing plant. Given this knowledge, why was the DAR not amended to reflect the changes to your operation? Why was the NWT government not informed? Is this substantive change to your operations the reason behind Avalon's refusal so far to enter into a socio-economic agreement with the NWT?

We anticipate hearing from you in the very near future with honest answers to the above questions.

Sincerely,


Chief Louis Balsillie

Cc CBC North
Cc Richard Edjericon, Chairperson MVRB [MacKenzie Valley Environmental Impact Review Board]
Cc AANDC
Cc The Hon. Bob McCleod, Premier, NWT
Cc The Hon. Tom Beaulieu Minister of Health and Social Services
& Minister Responsible for Senior's
& Minister Responsible for Persons with Disabilities