

**Avalon Rare Metals Inc. (Avalon) – Government of the Northwest Territories (GNWT)**  
**Meeting for Thor Lake Rare Earth Element Project Environmental Assessment**

**Date:** August 1, 2012  
**Time:** 1:00pm to 3:00pm  
**Location:** 6<sup>th</sup> floor board room, Scotia Centre, 5102 50<sup>th</sup> Avenue, Yellowknife  
**Attendees:** See attendee list on page 5.

**Purpose:** To discuss socio-economic topics related to the Thor Lake Rare Earth Element Project environmental assessment and provide clarity where possible.

**Summary of Discussion:**

Point of Sale

The point of sale for Avalon rare earth products would be at the final product site. Income and revenue from the point of sale are subject to transfer pricing, which is regulated by both Revenue Canada and the Internal Revenue Service of the United States of America.

Production Rate

Production may be increased over time at the hydrometallurgical facility if market conditions permit. Given the revised amount of indicated resources at the Nechalacho site, this could mean a longer mine life than originally predicted. Any increase of production greater than what is currently contemplated would be outside the current environmental assessment and subject to its own regulatory process.

Employment

Section 7.1.3 of the Developer's Assessment Report (DAR), page 849, states that positions offered through recruitment drives will typically be hourly positions with multiple openings. It is expected further clarification regarding salaried and hourly positions will be determined if the project proceeds and the Human Resource Plan is finalized.

Shift Schedules

Rotations during the construction phase of the project at both sites will be longer than during the operation phase.

While there will be bus transportation provided from Hay River and Fort Resolution to the hydrometallurgical site at Pine Point, employees in those communities and others in the vicinity may choose to drive to work.

### Temporary Closure of the Hydrometallurgical Plant

The hydrometallurgical plant will close for two weeks each summer. This is an operational component of the project and all options with respect to affected employees have yet to be determined. Using vacation time or taking unpaid leave may be options for employees who will not be working during this time.

### Procurement

Liability considerations may limit some opportunities for northern joint ventures. For example, there is a requirement for the suppliers of reagent materials to remain accountable and liable for the product.

### Health Services

Hay River does not have a hospital (as stated in the DAR). The Hay River Health Center likely will not have capacity to treat emergencies. As such, Stanton Territorial Hospital will be the first contact for emergency health care.

### **Developer Commitments:**

In response to questions asked by the GNWT, Avalon clarified its policies and actions as noted below.

### Socio Economic Reporting

Avalon will report the following socio-economic indicators to the GNWT each year:

- Total person year employment by skill category;
- Total person year employment by hiring priority and skill category;
- Northern employment in person years by Northwest Territories (NWT) community of residence;
- Northern hiring by community of residence;
- Number of NWT resident employees who resigned or who were laid off, fired or otherwise terminated in the previous year;
- Participation in and results of training activities;
- Advancement and promotion of northerners, including Aboriginal northerners.

Avalon will also publish an annual public report with some of the above information.

### Procurement

Avalon will:

1. Proactively seek out companies with the capacity to deliver goods or services. Avalon will give first priority to Aboriginal businesses within the impacted area, and will also use the GNWT business registry as secondary source of business listing. These practices will continue for life of the project.

2. Provide technical support and assistance to NWT businesses, which will include the following actions:
  - Seek out businesses that have the capacity to deliver goods and services;
  - Write letters of support to assist businesses in obtaining financing; and
  - Actively seek out businesses to apply on tenders (identified in the Feasibility Study) through the Aboriginal business list and the GNWT Business Incentive Policy registry.
3. Provide priority to Aboriginal businesses from the impacted areas in its tender process.
4. Assist NWT business in the establishment of partnerships and joint ventures. This assistance will include:
  - Introducing companies with similar or compatible business objectives; and
  - Facilitating communication between companies that could supply Avalon with goods and services.

Avalon procurement priorities will be:

1. Impacted Aboriginal businesses;
2. NWT businesses; and
3. Outside of NWT businesses.

#### Management Systems

Avalon will post its updated Corporate Social Responsibility Road Map to the public registry.

The Safety and Environmental Policy, as discussed in the DAR, will apply to the human and socio-economic environment.

#### Contractor Compliance

Avalon will ensure internal mechanisms will be in place to monitor, oversee and enforce contractor compliance with respect to hiring and reporting.

#### Recruitment

Avalon will hold recruitment drives in Yellowknife and Hay River and will continue to work with communities with respect to hiring. Avalon is open to additional suggestions regarding promotions and advertising vehicles, including the use of the Jobsnorth website, in order to maximize the extent and method of their outreach activities.

#### Medical/Emergency Staff

Avalon will retain an off-site physician to consult with the attending Emergency Room physician at Stanton Territorial Hospital if an emergency happens.

#### Employee (and Family) Assistance Program EFAP

Avalon will provide employees and their immediate family members with an EFAP.

Emergency Protocols

Avalon will discuss details of emergency procedures with the Department of Health and Social Services prior to the start of construction.

**Outstanding Issues:**

Reporting

- Annual reporting of total, northern, and Aboriginal northern purchases.
- Annual business forecast and assessment for the upcoming year.

Procurement

Avalon reaffirmed its commitment to develop a northern business strategy. The details of the strategy are not available this early in project development.

**Action Item:**

Avalon will keep the Department of Education, Culture and Employment apprised of developments to its Human Resource and Training plans and initiatives.



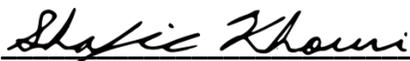
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**David Swisher**  
**Vice President, Operations**  
**Avalon Rare Metals Inc. representative**

**16-August-2012**

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**Date**



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**Shafic Khouri**  
**Environmental Assessment and Regulatory**  
**Analyst**  
**Government of the Northwest Territories**  
**representative**

**16-August-2012**

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**Date**

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**Attendees:**

Avalon

David Swisher Vice President, Operations, Avalon  
Kelly Cumming Northern Relations Manager, Avalon

GNWT

Juanita Robinson Industrial Initiatives Consultant, ITI  
Brittany Shuwers Industrial Initiatives Analyst, ITI  
Amy Lizotte Land and Environmental Affairs Specialist, ITI  
Deb Bain Program Development and Evaluation Specialist, ECE  
Derek Rains Health Analyst, HSS  
Gavin More Manager, Environmental Assessment, ENR  
Shafic Khouri Environmental Assessment and Regulatory Analyst, ENR  
Bernard Park Resource Statistician, STATS  
Laurie Gravelines Manager, Economic Policy, FIN  
Julie Clements Senior Policy Analyst, JUS  
Dane Mason Senior Policy Analyst, MACA

*GNWT department acronyms:* Industry, Tourism and Investment (ITI); Education, Culture and Employment (ECE); Health and Social Services (HSS); Environment and Natural Resources (ENR); Bureau of Statistics (STATS); Finance (FIN); Justice (JUS); Municipal and Community Affairs (MACA)