



Canadian Northern Economic
Development Agency

Agence canadienne de développement
économique du Nord

5019 – 52nd Street
Yellowknife, NT X1A 1T5

November 6, 2013

VIA EMAIL

Chief Edward Sangris
Yellowknives Dene First Nation
PO BOX 2514
YELLOWKNIFE, NT X1A 2P8

Re: ***Report of Environmental Assessment and Reasons for Decision:
Avalon Rare Metals Inc. – Nechalacho Rare Earth Element Project (EA1011-001)***

Dear Chief Sangris:

As you are aware, on November 4, 2013, the Minister of Aboriginal Affairs and Northern Development, on his own behalf as federal Minister and on behalf of the other responsible ministers (the “Ministers”) with jurisdiction in relation to the above project (the Ministers of Environment and Transport as well as the Government of the Northwest Territories), conveyed the Ministers’ decision to adopt the Mackenzie Valley Environmental Impact Review Board’s (the “Review Board”) recommendation that the project be approved subject to the implementation of the mitigation measures and developer commitments contained in the Report.

On behalf of the Ministers, I am responding to your letter of August 23, 2013, and other related communications, to outline some of the considerations taken by the Ministers in reaching their decision on the Project. Full and fair consideration was given to all the views expressed in the responses from Aboriginal groups with regard to the Review Board’s findings, including those outlined in your letter. In particular, your concerns regarding cumulative effects and impacts on wildlife, particularly caribou, and the impacts on air and water quality, as well as the use of traditional knowledge, were assessed by the Ministers.

The Ministers take the position that in addition to the measures outlined in the Review Board’s recommendation, Project approval is also subject to the implementation of the Developer’s commitments made during the course of the environmental assessment of the Project. The Project, as assessed and approved, therefore includes the implementation of all such commitments. Notably, these include the collaborative development of various management plans (including wildlife management and habitat protection plans as well as plans related to water and air quality). Moreover, the Review Board issued a measure requiring the

development of a wildlife effects monitoring program and also reinforced the Developer's commitment toward wildlife management and habitat protection through a supplementary measure. The Review Board also issued a measure for the signing of a socio-economic agreement between the Government of the Northwest Territories and the developer, which is intended to formalize commitments made by the developer with respect to employment, training, business opportunities and other related benefits for Northwest Territories residents, as well as to monitor potential socio-economic impacts stemming from the Project.

The terms and conditions of regulatory authorizations are an important aspect of managing potential impacts resulting from the Project. The public processes that accompany the regulatory authorizations for the Project, such as the issuance of the water licence, include the holding of public hearings and are important forums for ensuring that Aboriginal groups will have additional opportunities to provide input on various aspects of the Project.

Furthermore, the programs and policies of government may serve to inform project-specific adaptive management programs through input of research and technical expertise, if required and available. The Cumulative Impact Monitoring Program administered by Aboriginal Affairs and Northern Development Canada (and subsequent to devolution, by the Government of the Northwest Territories) is one program that includes Aboriginal representation on its committees. The Government of the Northwest Territories is also taking a lead role in coordinating collaborative cumulative effects programs for multiple species, including caribou. It has identified that developing and implementing a cumulative effects program is a shared responsibility among governments, co-management partners, land users and other wildlife users. The consideration of traditional knowledge, in conjunction with scientific considerations, is an important aspect of these programs. Furthermore, government regulators will provide technical expertise appropriate to their mandates through various programs and initiatives that relate to cumulative impact monitoring in the regulation of the Project.

With respect to the comment in your letter that the Review Board has failed to recommend mitigations for impacts to air quality as well as concerns raised over the regulation of emissions, the Ministers noted that the Review Board has reiterated Avalon's commitment to developing an Air Quality Monitoring and Management plan that will include an incineration management plan. Similarly, Avalon has also committed to develop an Aquatic Effects Monitoring Program in accordance with both the established guidelines and the Report's measures related to water quality, which will be part of the water licensing process for the project.

The Ministers are satisfied with the Review Board's conclusion that implementation of the measures and developer commitments included in the Report will ensure that potential adverse impacts are no longer significant.

Consideration was also given to the Developer's letter of September 20, 2013, which is posted on the Review Board's public registry. In this letter, the Developer clarified its intentions with regard to economic benefits and has also indicated its willingness to collaborate with the

Yellowknives Dene First Nation to ensure traditional knowledge is included in the Project design and monitoring plans.

The Ministers are encouraged to note that the parties have resumed negotiations with respect to signing an impact benefit agreement. While government is not privy to the negotiation of private contractual agreements between the developer and Aboriginal groups, it is nevertheless anticipated that Aboriginal groups may be utilizing these negotiations as a mechanism to meet their specific needs.

The Ministers want to assure you that your views are important and that they look forward to your continued participation in the regulatory phase of the Project where there will be additional opportunities for input, and that Crown consultation is an ongoing process which will continue through to the regulatory phase. Thank you for taking the time to provide your views.

Sincerely,



Matthew Spence
Director General
Northern Projects Management Office

c.c.:

Ray Case, Assistant Deputy Minister, Corporate & Strategic Planning, Department of Environment and Natural Resources, Government of the Northwest Territories

Marc D'Iorio, Director General, Environmental Protection Operations, Environment Canada

Michele Taylor, Regional Director General, Prairie and Northern Region, Transport Canada

Alec Simpson, Acting Director General, Stewardship and Sustainable Transportation Programs, Transport Canada

Paula Isaak, Director General, Natural Resources and Environment Branch, Aboriginal Affairs & Northern Development Canada

Kathryn Bruce, Regional Director General, Northwest Territories Region, Northern Affairs, Aboriginal Affairs and Northern Development Canada

Vern Christensen, Executive Director, Mackenzie Valley Environmental Impact Review Board

Willard Hagen, Chair and CEO, Mackenzie Valley Land and Water Board

Donald Bubar, President and CEO, Avalon Rare Metals Inc.