



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 Louis Balsillie
Deninu Kue First Nation
PO Box 1899
Fort Resolution, NT X0E 0M0

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

Dear Chief Balsillie:

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, 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.

The Ministers have specifically noted your concerns over potential future changes to the scope of the Project from that which was assessed by the Review Board. The Developer has indicated in its correspondence of August 22, 2013, that the Project remains as scoped during the environmental assessment and no final decisions have been made on potential changes to the Project. The Ministers acknowledge that any future significant changes to the scope of the Project could result in additional environmental screenings by regulatory authorities, as required, under the *Mackenzie Valley Resource Management Act* and/or other applicable legislation.

The Ministers want to assure you that Deninu Kue First Nation 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,



for 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'lorio, 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.