



5019 – 52nd Street
Yellowknife, NT X1A 1T5

November 6, 2013

VIA EMAIL

Chief Dora Enzoe
Lutsel K'e Dene First Nation
PO Box 28
Lutsel K'e, NT X0E 0H4

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

Dear Chief Enzoe:

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, impacts on water quality and the potential for barging accidents and spills, as well as oversight concerns, 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 which were made during the course of the environmental assessment on 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 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.

The mitigation of potential risks associated with barging accidents and spills will be addressed in part through an Aquatic Effects Monitoring Program and also through the terms and conditions of regulatory instruments, primarily the water licence for the Project. Spill contingency plans are a common feature of such licences. These management plans (along with other project related plans) will typically include details relating to cleanup as well as including means of reducing the impacts of any such accidents on the aquatic environment.

The Lutsel K'e Dene First Nation (LKDFN) also suggested that an oversight body should be in place for the Project. The Ministers are of the view that such a formalized oversight function is not necessary given the scope and extent of the regulatory enforcement on the Project, which will also include oversight and input from government agencies.

Furthermore, the programs and policies of government may serve to inform project-specific adaptive management programs through the 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.

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 reiterated its commitment to community engagement and has indicated its willingness to collaborate with the LKDFN to include traditional knowledge in its Project design and monitoring plans. In the letter, the Developer also made commitments with respect to other issues of importance to the LKDFN in the context of the negotiation of 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,


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.