

A Case History in Community Engagement Good Practice – Avalon Rare Metals Inc Engagement with Aboriginal People in the Northwest Territories

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Summary

Avalon Rare Metals Inc is developing the Nechalacho Deposit, Thor Lake Project, in the Northwest Territories of Canada. The company has a philosophy that stresses engagement with First Nations in the area of the project. As a result the company constantly seeks ways to bring the First Nations into involvement with the project through engagement meetings, employment opportunities, business opportunities, and other methods and ultimately leading to discussions around direct First Nations involvement in the project.

The paper will present Avalon's approaches to engagement and hopefully generate ideas that others involved in similar circumstances can use in advanced their relations with First Nations.

Introduction

Avalon Rare Metals Inc is exploring and developing the Nechalacho Deposit at the Thor Lake Project in the Northwest Territories of Canada. The paper describes Avalon's engagement with the Aboriginal communities that are neighbours of the project.

The Nechalacho deposit is one of the world's larger deposits of rare earth and rare metal mineralization. It is unusually endowed with "heavy" rare earths (high atomic weight) compared to typical deposits. The heavy rare earths are scarcer than light rare earths and as a result more prized. Avalon commenced field exploration at the project in 2007. A prefeasibility study is to be completed early this year.

The Thor Lake project falls within an area presently under negotiation between the Canadian government and the Akaitcho First Nations. The Akaitcho within about 100 kms of the project include four communities and three nations also referred as the Treaty 8 Communities. These communities are N'dilo and Dettah (Yellowknife Dene communities), Lutsel k'e (Lutsel k'e First Nation) and Fort Resolution (Deninu Kue First Nation). The area under negotiation is subject to an interim land withdrawal for five years. During that period, no industrial activity, including mineral exploration, is allowed within the area. Avalon's Thor Lake project is within a window in that land withdrawal and the company is permitted to continue its programs.

Other Aboriginal groups around the project include the Northwest Territory Metis and the North Slave Metis. These two groups do not have settled land claims with the federal government.

Avalon has engaged with all these Aboriginal groups.

Exploration Permitting in the Northwest Territories

Avalon's philosophy for community relations is to take a proactive approach. This means early actions to communicate with interested communities, with those contacts based on respect and mutual interest. Communities and their representatives usually respond favourably to

engagement at an early stage, even if they don't agree totally with everything a company is doing.

The legislative procedure for mineral exploration in the Northwest Territories is to apply for a Land Use Permit, which is circulated by the McKenzie Valley Land and Water Board (MVLWB) to interested communities for comment. The company is expected to respond to questions or concerns raised by communities. Through this process, communities, especially First Nations, may have considerable influence on the granting and conditions of Land Use Permits.

Avalon sought to engage with communities prior to submitting the request for a permit to the MVLWB thus enabling the company to better address community concerns. The engagement consisted of travelling to communities, presenting the company, project and planned exploration program, and giving community members the opportunity to ask questions.

Once the Land Use permit was granted and commencement of an exploration program, Avalon continued to vigorously engage with communities through a large number of initiatives, including among others:

- Employment of Aboriginal people at the exploration site.
- Cooperation with other agencies and companies to set up training courses for Aboriginal people for First Aid and Drilling.
- Community visits to describe project progress.
- Site visits for elders, council, youth.
- Speaking at First Nations gatherings such as the Dene National Assembly.
- Visits to community schools to talk to children and youth about geology and careers in mining.
- Renaming the project with a local First Nations language name.
- Cooperation on developing alternative energy strategies involving the First Nations.
- Negotiation with First Nations on an MOU.

Aboriginal Employment

Avalon's employment record is that 40% of the individuals who have worked at the Thor Lake project are Aboriginal with the majority from communities adjacent to the project with many having worked for the company since the exploration program started. In some cases the individuals are hired through a community agency and in other cases an Aboriginal owned human resources company has been used for employment. Issues that need addressing when employing people from communities include flexible rotation schedules within reason to allow for family issues such as attendance at funerals and other similar events, and also the ability to go hunting at particular times.

As a result of the lack of skills that many Aboriginal individuals face, Avalon initiated two training courses, one for First Aid responder and the other for Driller Helper training. The key agency in success in implementing these training courses was the Mine Training Society, but Avalon's initiatives were the first time that a junior mining company had initiated such training, as opposed to operating mining companies. For the driller helper course, suppliers that provided in kind support included drilling companies and air charter companies. This was also an opportunity to bring in First Nations owned suppliers to the consortium, creating beneficial relationships and greater understanding.

Community Engagement

Direct community engagement includes both visiting communities and communities visiting the project. Meetings at the community level usually involve the chief, the council, elders and potentially other interested or important community members. The company would present an update of the project and entertain questions from the First Nations people. The questions may range from the environmental effects of the day to day exploration to the employment prospects and what job categories will be required. Some may wish to talk about their view of the history of the relations of the mining industry and First Nations in general or their community specifically. The key to a successful meeting is to listen carefully and respectfully irrespective of whether the question or comment is technically sound or not, and respond, if required, with clear open answer. During such meetings, companies have to be careful with statements that may be interpreted as commitments with regards to future employment or business opportunities though these types of questions will be of keen interest to communities.

Avalon has sought to meet with Aboriginal communities at least once per year, and at other times if significant events are occurring. For example, renewal of the Land Use permit and an amendment to the Land Use permit both triggered a series of community meetings to explain what was happening and obtain direct comment from communities. Again, as for the early engagement prior to applying for the Land Use permit, these activities reduce considerably the questions from the communities to Land Use permit changes as they have already had an opportunity to ask direct questions from the company, and do not need to do so through the MVLWB.

Typical issues that require addressing when arranging community meetings include translation into the First Nations language as many elders may be more comfortable in that language, whether food or refreshments will be provided, will the facilities be paid for, will some attendees have honoraria and how much will be paid.

As well as meeting the chief and council, it is possible to engage further with the community by visiting the school and talking to youth and children. It has been my experience that schools are happy to accommodate this as long as they are given sufficient warning. The chief and council are invariably keen to have youth presented with career options that open up their eyes to skilled employment prospects, rather than dropping out of high school early, a huge problem in remote northern communities.

An important activity that Avalon has undertaken that compliments the community meetings is organising visits to the project site. In the NWT this could involve the chief, band members, elders and possibly youth. The community members would have a tour of the site lasting perhaps 4 hours or so. The site visit is important in order for community people to see what a camp looks like, what the trails in the bush look like, what area a drill is impacting, what geologists do, but also to see their community members there working, and enjoying their work. Community members often lack a concept of what an exploration project looks like and might be confused between the distinction between mining and exploration.

Avalon took the important step of seeking a new name from the First Nations for the main deposit at Thor Lake. The Yellowknives Dene responded by offering the name "Nechalacho" deposit, which the project may borrow until the mine closes, at which point the name will be returned to the First Nation. The renaming led to a ceremony at site that was a relationship building event with many First Nations chiefs, politicians and other important community members attending.

Aboriginal Business Opportunities

Many First Nations are involved in a variety of businesses, usually through a community owned corporation. For example, among the Akaitcho Dene, the Yellowknives Dene have the Deton Cho Corporation and the Lutsel K'e First Nation have the Denesoline Corporation. Both of these

companies seek to participate in mining and exploration through joint ventures with existing service companies, but also by creating their own subsidiaries. As a result, it is often possible for the exploration company to do business directly with the First Nations. The service companies may range from relatively passive joint ventures, where the partner company basically does all the work, to joint ventures that incorporate more training and development for the First Nation members. Avalon favours the latter type of company, as it is likely to be a greater contributor to the long term sustainability of the Aboriginal communities.

Many of the suppliers to Avalon's exploration program have at least partial Aboriginal ownership including the employment agency, the air charter and the expediting company. When considering contracts such as an ice road to the site and building an airstrip, the company turns to Aboriginal suppliers, both First Nations and Metis, for bids on the contracts.

In addition, building towards the future, Avalon has a joint venture with the Yellowknives Dene First Nation to explore the potential for wind power adjacent to the Thor Lake project. At present this comprises erection of a 50m wind speed test tower, and monitoring for one year, to measure wind speed, leading to the economic assessment of wind power. This joint effort both is another chance to build business relationships and to demonstrate a commitment to examine "green" project alternatives, as well a real possibility to enhance the economics of the project if the concept is successful.

Memorandum of Understanding and Impact Benefits Agreements

Avalon has initiated discussions with the First Nations on the basis of a Memorandum of Understanding (MOU) that would potentially lead to equity in the project and an Impact Benefits Agreement (IBA). These negotiations are at early stages and so no details can be presented at this time. However, the company considers that its proposal for equity interest, though there are precedents, is not conventional and would be to the long term benefit of the communities involved.

Conclusions

As emphasised in this paper, Avalon Rare Metals Inc considers early and frequent engagement with the Aboriginal communities around its projects as a critical element in successful project development. This benefits the project and company, and the communities, in both the short and long run.