May 31, 2012

Gail Amyot
Vice-President, Environment, Health & Safety
Canadian Royalties Inc.
800 René Lévesque Blvd West, Suite 410
Montreal, Quebec H3B 1X9

Dear Ms. Amyot:

Re: Port infrastructure construction project – Deception Bay

In response to the e-mail you sent to the Federal Review Panel North (FRP-N) on May 14, 2012, and our telephone conversation on the same day, the members of COFEX-N reviewed the status of the project at their meeting on May 15. Below is outlined our understanding of the new amendments made to the project and the consequences they have on our terms of reference, namely to review the impact statement for the project, and on the next steps of our analysis.

On the basis of the information you have sent us, COFEX-N understands that the amendments made to the project involve the following:

- Canadian Royalties Inc. (CRI) agrees to build the ore storage warehouse on the site previously authorized in 2008 and to file applications for all of the necessary permits to do so with provincial and federal authorities, where applicable.
- The only on-land facility that will be built in 2012 is the permanent work camp (capacity of 50 people), which will also be built on the site previously authorized in 2008.
- No construction will take place in 2012 to build the wharf or to store dredged sediment. Furthermore, no dredging is planned in 2012 in Deception Bay in relation to the construction of the port infrastructure.

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- CRI plans to install a temporary floating wharf in the spring of 2013 for transshipping ore while awaiting the completion of the permanent wharf during 2013; applications for all necessary permits to do so will be filed with provincial and federal authorities.
- CRI is currently reviewing the location of the permanent wharf in light of the above decisions and particularly in light of technical and environmental considerations; site Q-2 (recommended in your December 2011 report) and site Q-1 (original site authorized in 2008) are being reviewed.
- Ore will be transported from the warehouse to the wharf using a conveyor system, as originally planned. The conveyor may be longer or shorter than originally thought, depending on the site ultimately chosen for the permanent wharf. If site Q-2 is chosen, it is understood that the construction and operation of the conveyor will take into account the mudslide risk present on that route.

Given the above considerations, COFEX-N has a few comments and questions for you, as well as certain requirements for the next steps of the project:

- In light of the favourable decision rendered by the Federal Administrator in 2008 regarding the construction of the port infrastructure, if the ore storage warehouse and permanent camp are built at the sites initially selected in 2008, COFEX-N will not conduct a new review of the sites selected for those two components. However, the members of COFEX-N have doubts due to certain comments made by CRI indicating that the site initially selected is located in an area at risk of landslides or mudslides. They have the same concern about the conveyor, in the event that site Q-2 is selected. COFEX-N believes that the risks related to the potential instability of the land should be taken into consideration before construction begins.
- Given the current status of the project and uncertainty regarding the planned location of the permanent wharf, COFEX-N is cancelling the consultation activities scheduled to be held in Salluit in mid-June. The consultation needs will be reviewed in light of the information about the project that will be received during the summer.
- Since the mandate assigned to COFEX-N by the Federal Administrator is to review the impact of the construction and presence of the port infrastructure on the environment and social setting, any facility or activity planned as part of this project (including a temporary floating wharf) will be subject to review by

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COFEX-N. That project component must therefore be included in the impact statement that you are going to submit to us.

- The members of COFEX-N also expect to receive, by late summer 2012, a complete, autonomous environmental assessment, as you stated in your e-mail of May 14, that should cover the following components:
  - the permanent wharf and its annexes to be built in 2013;
  - the floating wharf;
  - the sediment storage areas;
  - the planned maintenance dredging activities and the sediment management method (i.e. on land or at sea); and
  - CRI's responses to the questions and comments sent by COFEX-N on April 30, 2012.
- Furthermore, since this project has unfolded in an unconventional way, COFEX-N has not had an opportunity to formulate guidelines specific to the project. COFEX-N may therefore ask CRI for additional information or analyses when reviewing the EA to complete the impact assessment.

Lastly, as Anne-Marie Gaudet informed you in her e-mail of May 14, COFEX-N will resume its analysis of the project once the documents describing the updated project, including the new impact statement, are submitted. The schedule for the next steps will depend on when COFEX-N receives the documents. Needless to say, the sooner the documents are submitted, the sooner COFEX-N will be able to resume its review of the project.

If you have any questions, please feel free to call me at 514-816-4088, or you can reach Anne-Marie Gaudet by telephone at 418-648-7831 or by e-mail at anne-marie.gaudet@ceaa-acee.gc.ca.

Sincerely,

[original signed by]

Claude Langlois
COFEX-N Chair