



GOVERNMENT OF  
NEWFOUNDLAND AND LABRADOR

Department of Natural Resources  
Office of the Minister

December 14, 2005

Mr. Phillip du Toit  
Managing Director  
Voisey's Bay Nickel Company Limited  
Suite 700, Baine Johnston Centre  
10 Fort William Place  
St. John's, NL  
A1C 1K4

Dear Mr. du Toit:

**Re: Review of Inco's Decision to Change Location of Commercial Processing Plant**

Thank you for your letter of November 30, 2005, in which you advise that Inco has concluded that it is not economically feasible to use Argentia as the site for a commercial hydromet plant and that you are proposing to assess an alternate site in the Argentia area. In responding to this decision, the Department of Natural Resources has undertaken a due diligence analysis to determine whether this conforms to Section 4.6.4 of the Development Agreement.

The Department, in consultation with the Department of Environment and Conservation and our outside consultant, has concluded that the documents submitted by Inco were found to be collectively deficient of the information necessary to determine whether Inco's assertion is valid. In order for the Department to complete its review, I would request that Inco provide the following additional information:

1. The 2001 Inco scoping study for a hydrometallurgical plant located in Argentia.
2. An up-to-date summary of consultations with PWGSC on the Remedial Action Plan for the North Side and specific direction/advice that Inco has provided as it pertains to the hydromet plant site.
3. Identification of specific areas at the hydromet plant site that require additional remediation beyond which PWGC has committed to do and provide details on measures (physical tests/studies) that Inco has undertaken to characterize hazardous substances and contamination in these areas. Inco must also provide additional mitigative measures that could be undertaken to reduce the environmental risk to an acceptable level at the site.

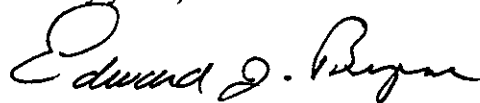
4. The remediation standard you require for the Argentia site clean-up in contrast to the CCME criteria accepted by the Government of Canada.
5. Identification of mitigation measures that could reduce the legal risks identified from the Accommodation Agreement.
6. A copy of PWGSC's response to the environmental and legal risks identified by Inco's consultants.
7. A detailed explanation of why you contend that the Argentia site is unsuitable due to environmental risks, when PWGSC has stated that the site will be suitable for the proposed processing plant in 2007 and Hatch-Golder concluded in the Site Characterization study that there are "no showstoppers" if the Argentia site is remediated as intended.
8. Demonstration that insurance cannot be obtained for the Argentia site or that the cost of insurance is significantly higher.
9. An update on ongoing residue characterization studies and demonstrate that these studies will consider continued research into the separation of elemental sulphur from the leach residue. Inco must provide technical, cost and revenue information regarding sulphur separation.
10. An evaluation of the benefits and costs of disposing the leach residue and iron-gypsum residue separately, as opposed to collectively as proposed, considering the following:
  - a. the volumes of each type of residue, and
  - b. how the reduced volume of slurry requiring sub-aqueous disposal may affect the residue disposal siting options.
11. Technical details and costs of other residue disposal options evaluated including costs associated with damming, berming, and specific spill containment mitigation measures.
12. An evaluation, including costs, of all alternate routes to the selected residue disposal site.
13. A technical and cost comparative evaluation of the pipeline technology proposed for the Argentia site and pipeline technology used for pumping tailings residues in environmentally sensitive areas such as Voisey's Bay, Sudbury and Thompson.
14. Demonstration that best efforts were given to the following mitigative measures that could reduce the technical, legal, environmental and economic risks. Inco must provide technical and economic data from these evaluations.
  - a. Physical due diligence work on the hydromet plant site, including collecting and analyzing necessary soil samples from surface and test pits; and, collecting and analyzing water samples from surface wells and new or existing monitoring wells as required to characterize and delineate identified areas of concern and fill data gaps that exist between these areas.

- b. Contracting PWGSC to undertake the excavation civil works for the plant foundations in 2006 and have PWGSC perform required remediation immediately, as required. PWGSC could back-bill Inco for the excavation work.
  - c. Inform PWGSC of Inco's requirements for certification of remediation, sites that require remediation and a protocol for site monitoring and clean-up post hydromet plant operation.
  - d. Evaluation of best-available instrumentation, monitoring technologies or containment scenarios that would reduce risk of a major spill from the pipeline.
  - e. Use of a series of smaller ponds closer to the Argentia site for residue disposal instead of Rocky Pond or one of the protected water supplies as a residue disposal pond with replacement of the municipal water supply.
  - f. Installation of groundwater monitoring wells around the hydromet plant to mitigate the risk of migration of contaminants through early detection, allowing PWGSC cleanup to take place before it impacts operations.
- 15. If these mitigative measures have not been evaluated, then Inco must provide an analysis of each and include the benefits and costs of these measures in the risk and economic analysis.
  - 16. The process and methodology employed in the Robertson GeoConsultants study to quantify the probability and remediation costs for risks identified. Inco must also clarify how specific probabilities can be developed from Golder's *Summary of Previously Prepared Environmental Data - Argentia, Newfoundland, 2005* and clearly state if they considered the existing site conditions or the ultimate remediated conditions of the site when carrying out their analysis.
  - 17. Annual cost and revenue profiles which reveal the impacts the risk scenarios have on the project financial and socio-economic analyses.
  - 18. Demonstration that the economic impacts of investments made in connection with environmental remediation activities and the employment and the associated business income benefits were considered in the economic analysis.
  - 19. An analysis of the suitability of the Argentia site for the construction and operation of the matte plant should a hydromet plant not be constructed.

In summary, it is our view that Inco has not completed the due diligence necessary to support its decision for a change in location of the commercial hydromet processing plant from Argentia. Having said this, and in consideration of your need to register the development of the commercial hydromet processing plant at an alternate site in the Argentia area early in 2006, my officials are prepared to meet with your technical staff as soon as possible to discuss this request.

Notwithstanding the above, in the spirit of good faith and out of respect for the people of the Argentinia region, I feel very strongly that it is incumbent upon your company to publicly disclose your proposed decision to move this hydromet facility. We understand the confidentiality issues surrounding this issue, however, as a government we would insist that you immediately inform the people of the province of this very serious turn of events.

Sincerely yours,

A handwritten signature in cursive script, reading "Edward J. Byrne". The signature is written in dark ink and is positioned above the printed name.

**EDWARD J. BYRNE, M.H.A.**  
Minister