



November 13, 2014

Pierre River Mine Project - Joint Review Panel
Canadian Environmental Assessment Agency
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Attention: Mr. Alex Bolton – Joint Review Panel Chairman

**RE: Quarterly Update for the Pierre River Mine Project
Canadian Environmental Assessment Registry No. 59539**

Dear Mr. Bolton:

The following is Shell Canada Energy's ("Shell") third quarterly update for the Pierre River Mine project ("PRM"), as per the Joint Review Panel's ("JRP") February 13, 2014 letter to Shell. This update provides an overview of current progress on the following:

- Revised mine planning, including the status of the 2014 field program conducted for Leases 14 and 352, and coordination of development plans with Teck Resources Ltd. ("Teck") regarding the neighbouring Frontier project;
- Collaborations with government and Aboriginal stakeholders on the methods to be applied with regard to Regional Study Area ("RSA") sizing, and assessing potential project effects to Aboriginal culture and heritage; and
- Updates on consultation activities with aboriginal groups, including Traditional Land Use ("TLU") studies being completed by Métis groups.

FIELD WORK AND REVISED MINE PLAN INFORMATION

In support of the second round of supplemental information requests ("R2 SIRs") that were issued by the JRP on March 18, 2014, Shell provided information in its August 13, 2014 quarterly update regarding the gathering of additional field information from Leases 14 and 352. Shell completed the 2014 field work in early October. Further seasonal field sampling will be taking place between January and April 2015. Once complete, this new field information, along with other relevant information that was acquired by

Shell through the Lease 14 swap with Teck in 2013, will be incorporated into the PRM environmental impact assessment (“EIA”) in support of responses to the R2 SIRs and revisions to the mine plan.

Shell is also currently working to revise the mine plan to incorporate ore removal from Lease 14 and 352. In addition, Shell is considering alternative locations for PRM’s tailings facilities having regard to factors including potential ore sterilization, environmental effects, neighbouring leases, consultations with Aboriginal stakeholders, and the Teck Frontier project.

In light of proposed changes that Teck publically disclosed on October 10, 2014 regarding its Frontier project, under the Shell-Teck Projects Agreement, Shell met with Teck to discuss how we can cooperatively manage our respective projects having regard to common development boundaries as well as facility and infrastructure placement.

Shell recognizes the importance of the Lower Athabasca Regional Plan to manage cumulative effects in the region, and has been supportive and actively engaged in the development and implementation of a number of the frameworks with the Government of Alberta. In early 2014, the draft *Surface Water Quantity Management Framework* (“SWQMF”) was updated with the aim to have it finalized by year-end. The SWQMF focuses on management of Athabasca River water use by the oil sand industry with a particular focus on limiting withdrawals by industry in low flow conditions. Shell recognizes that meeting the requirements of the SWQMF will require operators to carefully consider water use for oil sand projects, especially new oil sand developments such as PRM. As Shell is undergoing its evaluation of the PRM, it is taking into consideration the effects that the draft framework will have on the water needs of the PRM operation.

Shell is also aware that it may need to include further information in order to address the proposed Tailings Management Framework which is currently being developed by Alberta Environment and Sustainable Resource Development (“ESRD”), and which Shell understands may be finalized by the end of 2014. Any effects that the Tailings Management Framework, as well as the SWQMF, may have on Shell’s mine planning efforts and revised EIA will not be fully known until the final frameworks are released.

TRADITIONAL LAND USE AND ENVIRONMENTAL KNOWLEDGE

In response to concerns raised at Shell’s Jackpine Mine Expansion hearing, and in the JRP’s PRM R2 SIRs, Shell has supported the work efforts for two project-specific studies (Métis Traditional Land-Use Study and Environmental Knowledge studies) to be conducted by the Fort McMurray Métis Local 1935 and Fort Chipewyan Métis Local 125.

These studies were initiated in early 2014 and are nearing completion. Upon receipt and review of the study results, Shell will integrate the relevant information into the analysis of PRM project effects as well as the cumulative effects on Aboriginal rights and interests, to include information from each Métis group that could potentially be affected by the PRM project.

ABORIGINAL ENGAGEMENTS TO OBTAIN FEEDBACK ON CULTURE AND HERITAGE

In our May 13, 2014 update letter, Shell stated that an important issue raised in the PRM R2 SIRs is Shell's assessment of the PRM project's effects on Aboriginal culture and heritage, and the determination of the significance of those effects.

In our August update to the JRP, Shell noted that it had obtained feedback from the Canadian Environmental Assessment Agency ("CEA Agency") on the assessment of effects to Aboriginal culture and heritage. Following the meeting with the CEA Agency, Shell met with potentially affected Aboriginal stakeholders in September and October to discuss the potential to hold a cultural assessment methodology workshop.

Overall, feedback on this approach was generally positive and Shell has scheduled the full day multi-stakeholder workshop to take place on November 20, 2014. Participants in this workshop will include a number of Aboriginal groups, the CEA Agency, the Alberta Consultation Office, and Teck. An agenda was drafted by Shell, and provided for review and comment to all invited participants. This workshop is designed to be an open and collaborative discussion regarding how best to assess PRM's project effects on Aboriginal culture and heritage with a focus on the methodology to be used, mitigation measures and the determination of significance of the effects; and to openly share ideas about common principles that could inform cultural assessments so that conclusions and suggested mitigations can be considered by the JRP.

ENGAGEMENTS TO OBTAIN FEEDBACK ON THE REGIONAL STUDY AREA AND REVISED PRM MINE PLAN

In our May 2014 JRP update letter, Shell noted a key concern regarding terrestrial RSA sizing which was raised by the JRP in the PRM R2 SIRs, and indicated that Shell intended to seek feedback from relevant federal and provincial regulators to determine an appropriate methodology to develop a terrestrial RSA for an oil sands mine.

In October, Shell met with Environment Canada experts and the CEA Agency to discuss RSA sizing methodologies. The discussion focused on spatial constraints, wildlife species and their habitats, the types of boundaries to consider, and data availability. The input received was valuable and will assist Shell in formulating its approach to RSA sizing. Shell further notes that it is still pursuing a meeting with experts from ESRD to obtain provincial government input on RSA sizing, but no engagement has yet been scheduled.

Similar to the cultural assessment methodology workshop that Shell is hosting in November with Aboriginal groups, Shell also intends to meet with Aboriginal stakeholders to obtain feedback on Shell's terrestrial RSA, as well as to seek input on the revised PRM mine plan and relocation options for the

tailings facility. While these engagements take considerable time to plan and coordinate, Shell believes that the input and information gathering will help Shell as it revises its PRM mine plan, and EIA.

RONALD LAKE BISON

Shell is currently involved in a study being conducted by ESRD on the Ronald Lake bison herd (“RLBH”) that has been underway since 2013, and participates in the Ronald Lake Bison Technical Committee. The committee consists of representatives from federal and provincial regulators, academia, industry and Aboriginal communities. The committee is a forum focused on implementing directed studies concerning the RLBH as well as a forum to fill knowledge gaps and inform upcoming oil sands development decisions that may affect the sustainability of the bison herd. The committee is currently working on the development of a Resource Selection Function (RSF) model to map bison habitat, and Shell is working on a 2014 and 2015 bison remote camera program. The information obtained by this committee and through the remote camera program will inform the PRM application and EIA, as appropriate.

CLOSING

By February 11, 2015, Shell intends to provide the JRP further information regarding its internal evaluation of the PRM development and timing, as well as an update on when the panel can expect to receive the revised information that supports the PRM application and EIA, and R2 JRP SIRs.

If you have any questions or concerns regarding this update, please do not hesitate to contact Gary Millard <contact information removed>

Yours truly,

<original signed by>

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