



Nunavut Water Board
P.O. Box 119
Gjoa Haven,
Nunavut
X0B 1J0
Canada

February 12, 2016

**Re: Meadowbank Water License No. 2AM-MEA1525
Request to Amend Security to Reduce Overbonding
Part C – Item 2 and 3**

Under Part C, Item 1 (Conditions Applying to Security) of the Meadowbank Type A Water License No. 2AM-MEA1525 Agnico Eagle Mines Limited (Agnico) is required to:

“furnish and maintain security with the Minister in the amount for a total of seventy one million seven hundred thousand dollars (\$71,700,000) in the form, of the nature, subject to such terms and conditions, in accordance with, the Regulations, or that is satisfactory to the Minister”

Agnico has posted this required security with the Minister of Indigenous and Northern Affairs Canada and the Minister has acknowledged that the security posted satisfies the security requirements presented in Part C, Item 1 of type A Water License 2AM-MEA1525. For your records I have attached:

- a copy of the November 02, 2015 letter from INAC verifying that this security has been posted in a manner satisfactory to the Minister;
- a copy of the October 29, 2015 letter from INAC verifying receipt of an Irrevocable Standby Letter of Credit, Reference No. G202743 for \$71,700,000 from the Toronto Dominion Bank to meet this license security requirement.

As you are aware during the public hearings held by the NWB on April 29th and 30th in Baker Lake for the renewal of the Meadowbank Type A Water License there was agreement from all of the parties on the amount of the total reclamation liability for the Meadowbank Mine. The figure agreed to was \$86,519,614. Agreement on the split of this liability between what was water related and land related could not be reached by the parties leading to a situation in which both INAC and the Kivalliq Inuit Association (KIA) disagreed on their respective recommendation to the NWB on what level of security should be set under the license.

Following closing of the hearing the KIA did send Agnico a letter requiring Agnico to increase the amount of security to be posted against reclamation of the Meadowbank mine as required under the KIA's Meadowbank Commercial Production Land Use Lease from



\$14,900,000 to \$78,834,710. I have attached copies of the following documents for your records:

- A copy of the August 31, 2015 letter from the KIA to Agnico indicating that despite their attempts to resolve the overbonding issue with INAC, KIA requires Agnico to increase the reclamation security to be held by KIA under the Commercial Production land use lease from \$43,900,000 to \$78,834,710.
- A copy of the February 09, 2016 letter from the KIA to Agnico verifying that the KIA are in possession of the new security posted by Agnico under Production Land Use Lease KVPL08D280 for a total security of \$78,834,710 and are satisfied that their security requirements have been met (attached is a copy of the amending agreement dated October 02, 2015 to Production Land Use Lease KVPL08D280 and a copy of the Irrevocable Standby Letter of Credit No. S18572/276888 issued by the Bank of Nova Scotia increasing the total amount of security posted by Agnico to the KIA under this Production land use lease to \$78,834,710).

The purpose of this submission is to provide evidence to the NWB that Agnico has now posted a total of \$150,534,710 in combined security under the Type A Water License and the KIA Commercial Production Land Use Lease against the agreed upon reclamation liability of \$86,519,614 for the Meadowbank Mine site.

NWB Type A WL 2AM-MEA1525	INAC	\$71,700,000
KIA PL KVPL08D280	KIA	\$78,834,710
Combined Security		\$150,534,710

This confirms an overbonding of \$64,015,096 against the accepted liability of \$86,519,614; an overbonding of 174%. This is a substantial amount of money and unfairly hurts the proponent.

In accordance with Part C: Article 2 and 3 of Water License 2AM-MEA1525 Agnico is applying via this letter to the NWB asking the Board to amend the amount of security required to be held under the License from \$71,700,000 to \$7,684,904.

Under this amended security arrangement Agnico will have secured the full agreed upon reclamation liability for the Meadowbank mine site (including cumulative legacy liabilities) without overbonding in accordance with the following:

Security posted to INAC under Type A WL 2AM-MEA1525:	\$7,684,904
Security posted to KIA under Production Land Lease KVPL08D280	\$78,834,710
Combined Security Posted by Agnico	\$86,519,614



AGNICO EAGLE

Under this amended arrangement Agnico will have furnished security in an acceptable format against the full land + water related reclamation liability for the Meadowbank mine site. We therefore ask the NWB to amend the amount of security required under Part C, Article 1 from \$71,700,000 to \$7,684,904.

Regards
Agnico Eagle Mines Limited

Stephane Robert
Manager of Regulatory Affairs – Nunavut

cc:

KIA – Luis Manzo
INAC – Karen Costello, Ian Parsons, Andrew Keim



Our file - Notre référence

IQALUIT-#954039

November 2, 2015

Larry Connell
Corporate Director Regulatory Affairs
Agnico Eagle Mines Limited
145 King St. East, Suite 400
Toronto, ON
M5C 2Y7

Sent via both regular and electronic mail (larry.connell@agnico-eagle.com)

Re: Acceptance of Toronto-Dominion Bank Irrevocable Standby Letter of Credit No. G202743

Dear Mr. Connell,

Please be advised that on behalf of the Minister of Indian Affairs and Northern Development, I accept the above referenced irrevocable standby letter of credit that was issued by the Toronto-Dominion Bank on October 1, 2015. This financial guarantee satisfies the security requirements presented in Part C, Item 1 of Agnico Eagle Mines Limited's type A water licence, No. 2AM-MEA1525, for the Meadowbank Gold Mine.

Please don't hesitate to contact me by email at Andrew.Keim@aandc-aadnc.gc.ca or telephone at (867) 975-4550 for further information.

Sincerely,

Andrew Keim

Acting Manager, Water Resources Division
Nunavut Regional Office
Aboriginal Affairs and Northern Development Canada
P.O. Box 100
IQALUIT, Nunavut
X0A 0H0

**Cc. David Abernethy, Regional Coordinator, Aboriginal Affairs and Northern Development Canada
Karen Costello, Director of Resource Management, AANDC
Stephanie Autut, Executive Director, Nunavut Water Board
Phyllis Beaulieu, Manager of Licensing, Nunavut Water Board
Stéphane Robert, Agnico Eagle Mines Ltd.**



Our file – Notre référence
IQALUIT-#999279

October 29, 2015

Larry Connell
Corporate Director Regulatory Affairs
Agnico Eagle Mines Limited
145 King St. East, Suite 400
Toronto, ON
M5C 2Y7

Sent via email: larry.connell@agnico-eagle.com

Re: Receipt of Water Licence Reclamation Security Deposit

Security Deposit:	Toronto-Dominion Bank Irrevocable Standby Letter of Credit, Reference No. G202743
Amount:	\$71,700,000
Issuance Date:	October 1, 2015
Applicant:	Agnico Eagle Mines Limited
Beneficiary:	Her Majesty the Queen in Right of Canada, as Represented by the Minister of Indian Affairs and Northern Development Payable to the Receiver General of Canada c/o P.O. Box 100, Bldg. 918 Iqaluit, Nunavut, Canada X0A 0H0 Attention: Manager of Water Resources, Nunavut Regional Office
Water Licence:	Nunavut Water Board Licence No. 2AM-MEA1525
Licensee:	Agnico Eagle Mines Limited
Project:	Meadowbank Gold Mine

Dear Mr. Connell

Today, Aboriginal Affairs and Northern Development Canada received the above referenced irrevocable standby letter of credit pursuant to the reclamation security requirements specified under Part C, Item 1 of Nunavut Water Board licence No. 2AM-MEA1525. The adequacy of this irrevocable standby letter of credit is being reviewed to ensure that it is acceptable to the Minister of Indian Affairs and Northern Development. You will be notified once the department has decided whether or not to accept it.

Canada

Please do not hesitate to contact me by email at sarah.forte@aandc-aadnc.gc.ca or by telephone at 867-975-3876 for further information.

Sincerely,

Sarah Forté
Water Management Coordinator

Water Resources Division, Resource Management Directorate
Nunavut Regional Office
Aboriginal Affairs and Northern Development Canada
P.O. Box 100
Iqaluit, NU X0A 0H0

Cc: Andrew Keim, AANDC
Phyllis Beaulieu, Nunavut Water Board
Stéphane Robert, Agnico Eagle Mines Limited
Nathan Sidon, Agnico Eagle Mines Limited



ᐅᑦᑦᑦᑦ ᐃᑭᐃᑦ ᑲᐅᑦᑦᑲᐅᑦ
Kivalliq Inuit Association

ᐅᐅᑦᑲᐅᑦᐃᑦ/P.O. Box 340, ᑲᑦᑦᑦᑲᑦ Rankin Inlet, Nunavut X0C 0G0
ᐅᑦᑲᑲ/Tel: (867) 645- 5725 ᑦᑲᑦᑲᑦ/Fax: (867) 645-2348 Toll free: 1-800-220-6581

August 31, 2015

Mr. Larry Connell,
Agnico-Eagle Mines Limited

VIA EMAIL

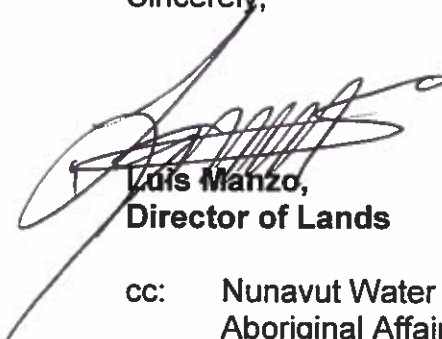
Dear Mr. Connell:

Re: Meadowbank Renewed Type A Water License – Security

Despite our considerable efforts to resolve the over bonding problem, agreement has not been reached with the federal government. The Nunavut Water Board decision on the Meadowbank Water License Renewal recognizes this serious issue but has not brought us any closer to resolution.

As you are aware, KIA agreed with an overall security amount of \$86,519,614.00. KIA's submission to the Nunavut Water Board at the hearing was that KIA would require a total security deposit under the KIA lease in the amount of \$78,834,710.00. We have no alternative but to require AEM to post total security for this Project, in this amount. Should we be able to satisfactorily resolve the over bonding by agreement with the federal government, KIA will be willing to reconsider the security it holds for this Project.

Sincerely,



Luis Manzo,
Director of Lands

cc: Nunavut Water Board
Aboriginal Affairs & Northern Development Canada



ᑕᑕᖅᑦᑦᑦᑦᑦ/P.O. Box 340, ᑲᑦᑦᑦᑦᑦ Rankin Inlet, Nunavut X0C 0G0

February 9, 2016

Re: Production Lease KVPL08D280 Security Amendment

Please see attached for your records.

Lois Manzo
Director of Lands



ᐅᑦᑦᑦᑦ ᐃᓄᐃᑦ ᑲᐅᑦᑦᑲᐅᑦ
Kivalliq Inuit Association

ᐅᐅᑦᑲᐅᑦᐅᑦᐅᑦ/P.O. Box 340, ᑲᑦᑦᑦᑦᑲᑦ Rankin Inlet, Nunavut X0C 0G0
ᐅᑦᑲᑦᑦ/Tel: (867) 645- 5725 ᑦᑲᑦᑦᑦ/Fax: (867) 645-2348 Toll free: 1-800-220-6581

October 2, 2015

Stephane Robert
Agnico Eagle Mine Ltd.
145 King Street East, Suite 400
Toronto, Ontario
M5C 2Y7

Re: Production Lease KVPL08D280 Security Amendment

Please find attached the amending agreement for the above Lease. This only amends the security amount for the whole area in Meadowbank which is under the Production Lease.

For any concerns or questions you may have, please give me a call at 867-645-5731 or email at Imanzo@kivalliqinuit.ca

Regards,


Luis Marizo
Director of Lands

This **SECURITY AGREEMENT** entered into October 2, 2015.

BETWEEN:

KIVALLIQ INUIT ASSOCIATION
("KIA")

- and -

AGNICO EAGLE MINES LTD.
("AEM")

(AREVA and KIA may hereinafter be individually referred to as a "**Party**" and collectively as the "**Parties**")

WHEREAS:

- A. KIA is the Designated Inuit Organization responsible for administration of surface rights on Inuit Owned Land in the Kivalliq Region of Nunavut ("IOL BL-14"). The Meadowbank Project (the "**Project**"), operated by AEM, is partially located on IOL, the remainder of which is located on Crown land.
- B. The Parties entered into License KVPL08D280 (the "**Lease**") pursuant to which AEM is conducting all the production activities for the Project on IOL.
- C. AEM prepared, and KIA has approved, the Meadowbank Project Exploration Decommissioning Plan and Financial Assurance pursuant to which financial assurance in the total amount of \$78,834,710.00 was calculated as appropriate for decommissioning the Project site.
- D. KIA requires AEM to provide financial assurance, as further specified in this Security Agreement, in the event that AEM defaults in its obligations related to decommissioning and reclamation of that part of the Project site located on IOL BL-14.
- E. The Parties wish to record the terms and conditions upon which financial assurance is provided by AEM under this Agreement and the circumstances in which KIA may access such financial assurance.

NOW THEREFORE in consideration of the mutual covenants contained herein (the sufficiency of which is hereby acknowledged) the Parties agree as follows:

- 1. AEM shall, within sixty (60) days of execution of this Agreement, provide to KIA the total amount of \$78,834,710.00 CDN as security for the decommissioning and reclamation of the Mine site phase of the Meadowbank Project.

2. The Security may be in the form of (a) cash; (b) irrevocable letters of credit upon terms and conditions acceptable to the Parties, acting reasonably; or (c) any combination of security listed in (a) and (b); or any other form of security agreed to by the Parties.
3. The amount of Security will be reviewed whenever there are material changes to the Plan, or to the area which is subject to the License as per section 4 below, but in any event not less frequently than every five (5) years, and the amount of Security may be adjusted by agreement in writing between the Parties, with the intent that the Security shall at all times be sufficient to cover the cost of decommissioning and reclamation of Project exploration activities.
4. Subject to paragraph 5, if AEM breaches any material term, covenant or condition of the License and fails to remedy such breach within thirty (30) days, or such longer time as the Parties may agree given the circumstances of the breach, of receipt from KIA of written notice detailing the breach, KIA may, at its option and without prejudice to any other rights, appropriate and apply that portion of the Security as may be necessary to pay for the costs and expenses to be incurred by KIA as a result of the breach. Prior to applying any Security, KIA will provide AEM an estimate of the costs and expenses to be incurred by KIA as a result of AEM's breach and the amount of Security to be drawn on.
5. In the event that AEM breaches any term, covenant or condition of the License and such breach constitutes an emergency which puts the health and safety of persons, wildlife or the environment at imminent risk, which AEM fails to immediately remedy following the giving of five (5) days' notice by KIA, KIA may draw on the Security.
6. Should KIA draw on the Security in accordance with this Agreement, AEM shall, within sixty (60) days of receipt of written notice from KIA, replenish the Security by such amount as has been drawn on pursuant to section 4 or 5. KIA shall, within ninety (90) days of KIA's application of any part of the Security, provide AEM with a full accounting for the Security drawn on, and, provided that all work has been completed, shall return to AEM any amount of Security which KIA has drawn on but not expended.
7. KIA shall, within thirty (30) days of termination of the License or completion of any decommissioning and reclamation in accordance with the Plan, whichever is the later, refund to AEM any Security that has not been used in accordance with this Agreement.
8. Interest on any amount unpaid when due shall be at the rate of ten percent (10%) per annum, calculated and compounded annually from and after the payment due date.
9. Any dispute between the Parties arising out of or in connection with this Agreement or breach thereof shall be settled by arbitration in accordance with the following procedures:
 - (a) A Party affected by a dispute and desiring to arbitrate the matter shall give written notice of the dispute to the other Party and within 20 days after the receipt of such

written notice by the other Party, the Parties shall agree upon and appoint a single arbitrator;

- (b) In the event that the Parties are unable to agree upon the appointment of the arbitrator within the 20 day period, either Party may make an application to the courts of the Territory of Nunavut for the appointment of an arbitrator;
 - (c) Except as herein modified, the Arbitration Act, R.S.N.W.T. 1988, c. A-5, as amended and duplicated for Nunavut pursuant to section 29 of the Nunavut Act S.C. 1993, c.28, shall apply to the arbitration process hereunder;
 - (d) The arbitration shall be held in Rankin Inlet, Nunavut or at any other location agreed to by the Parties and shall be conducted in the English language;
 - (e) The fee of the arbitrator shall be borne by the unsuccessful Party in the arbitration, or in such other manner as the arbitrator may deem fair; and
 - (f) The decisions of the arbitrator shall be final and binding.
- 10. This Agreement may only be amended by agreement in writing signed by the Parties.
 - 11. This Agreement shall be governed by and interpreted in accordance with the laws of the Territory of Nunavut and the laws of Canada applicable therein.
 - 12. AEM may assign its interest in and to this Agreement to any permitted assignee of the License. KIA may assign its interest in and to this Agreement to any successor Designated Inuit Association, designated in accordance with the Nunavut Land Claims Agreement.
 - 13. Except as set out in the License, this Agreement constitutes the entire agreement between the Parties in respect of its subject matter and supersedes all prior agreements, promises, oral or written in respect of its subject matter (if any). In the event of a conflict between the License and this Agreement, the terms of this Agreement shall prevail.
 - 14. Any term of this Agreement which is held to be void, prohibited or unenforceable shall be severable herefrom without in any way invalidating the remaining terms hereof.
 - 15. Neither Party may waive any provision in this Agreement except in writing. No waiver of any provision of this Agreement shall imply a waiver of that provision either for the future or of any other provision of this Agreement unless the waiver expressly so states.
 - 16. This Agreement may be executed in counterparts and signature pages from separate counterparts may be faxed or delivered by other electronic means. Each such counterpart will be deemed an original agreement for all purposes.

17. Any notice required or permitted pursuant to this Agreement shall be in writing and may be delivered by hand, by prepaid registered mail, by email or by facsimile transmission to the parties at the following addresses:

If to KIA:

Box 340
32-4 Sivulliq Avenue
Rankin Inlet, NU X0C 0G0
Attention: Director of Lands
Phone: 867-645-5731
Fax: 867-645-3855
Email: Imanzo@kivalliqinuit.ca

If to AEM:

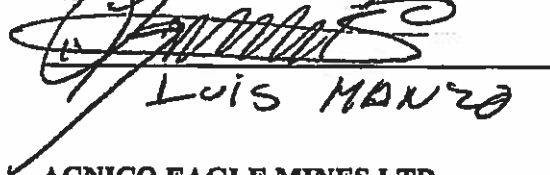
AGNICO EAGLE MINES LTD.
145 King Street East, Suite 400
Toronto, Ontario
M5C 2Y7

Notice if sent by prepaid registered mail shall be deemed received ten (10) days after mailing and shall be mailed from an address in Canada. Notice if sent by facsimile transmission shall be deemed to be received the next business day following apparently successful transmission. Notice by email shall be taken to be duly given when receipt of the email is acknowledged by an addressee. Either Party may change their address for service of notices by giving written notice to the other.

ALL OF WHICH IS AGREED TO as witnessed by the signatures of the proper officers of the Parties:

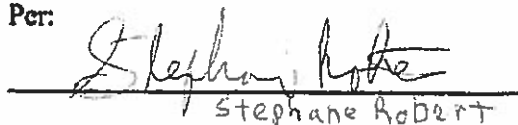
KIVALLIQ INUIT ASSOCIATION

Per:


Luis Manzo

AGNICO EAGLE MINES LTD.

Per:


Stephane Robert

Per:

This AMENDING AGREEMENT dated the 2nd day of October, 2015

BETWEEN:

KIVALLIQ INUIT ASSOCIATION
("KIA")

- and -

AGNICO-EAGLE MINES LIMITED
("AEM")

WHEREAS:

- A. KIA entered into Production Lease KVPL08D280 for Inuit Owned Lands with AEM dated July 24, 2008, as amended by Amending Agreement dated February 9, 2009 and Amending Agreement dated May 2, 2013 (the "Production Lease");
- B. The Parties wish to further amend the Production Lease to provide for a change in the Closure and Reclamation Security Deposit.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties, the parties agree as follows:

- 1. This Agreement shall take effect on the date of execution.
- 2. The Closure and Reclamation Security Deposit payable by AEM pursuant to section 4.09 of the Production Lease shall be increased to seventy eight million dollars eight hundred thirty four thousand and seven hundred and ten dollars (\$78,834,710.00) and shall be in the form set out in Schedule "A", which shall be paid to KIA within sixty (60) business days of the effective date of this Amending Agreement.
- 3. In all other respects, the Production Lease shall remain unamended and in effect.
- 4. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one agreement. Documents sent via facsimile or email shall be valid and binding.

ALL OF WHICH is agreed to, as evidenced by the signatures of the parties:

KIVALLIQ INUIT ASSOCIATION

Per:


Luis Manzo

AGNICO-EAGLE MINES LIMITED

Per:


Stephane Robert

AEM/MBK leases/Production Lease Amending Agt Oct 2 15

SCHEDULE "A"

Letter of Credit



The Bank of Nova Scotia
Trade Service Centre
61 Front Street West, 4th Floor
Toronto, Ontario, M5H 1H1
Tel: 416-847-6250
Fax: 416-866-4286
SWIFT: NOSCCATTPG

**Irrevocable
Standby Letter of Credit
No. S18572/276888**

Amendment no.1
Dated November 20, 2015

Beneficiary:
Kivalliq Inuit Association
164-1 Mivvik Avenue
Rankin Inlet, Nunavut
X0C 0G0 Canada

Applicant:
Agnico-Eagle Mines Limited
145 King Street East, Suite
400 Toronto, ON M5C 2Y7
Canada

Ref: S18572/276888

We amend our Standby Letter of Credit subject to the following terms and conditions. This amendment forms an integral part of the original instrument. All other terms and conditions remain unchanged.

Amended Terms:

The amount of the Standby Letter of Credit is increased by: CAD 63,934,710.00 to CAD 78,834,710.00

Beneficiary's address has been amended from: 164-1 Niwik Avenue, Rankin Inlet, Nunavut X0C 0G0 Canada to:
164-1 Mivvik Avenue
Rankin Inlet, Nunavut
X0C 0G0 Canada

This amendment is effective October 2, 2015.

Unless otherwise instructed herein, all correspondence and enquiries regarding this transaction should be directed to our Customer Service Centre at the above address, telephone: 416-847-6254. Please indicate our reference number in all your correspondence or telephone enquiries.

Regards,

TRACY HUA CHENG

H812

✶ Authorised Signature(s)

Signature S1687

ORIGINAL