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March 14, 2016

Nunavut Water Board (NWB)
c/o Stephanie Autut
Executive Director
PO Box 119
Gjoa Haven, NU
X0B 1J0

Agnico Eagle Mines Ltd.
c/o Stéphane Robert
10200 Route de Preissac
Rouyn-Noranda, QC
J0Y 1C0

Dear Ms. Autut and Mr. Robert:

Subject: Licence No. 2AM-MEA1525 –Request by Licensee, Agnico Eagle Mines Limited to Amend the Reclamation Security Amount Required Under the Licence Part C to Reflect “Overbonding”

As directed by the NWB in their letter dated February 29, 2016, Fisheries and Oceans Canada (DFO) is providing comment on Agnico Eagle Mine's (AEM) request to amend (reduce) their reclamation security currently held under their Nunavut Water Board Type A Water Licence No. 2AM-MEA1525.

DFO understands that the securities portion held by the Department of Indigenous and Northern Affairs Canada (INAC) cover the costs associated with reclamation of Goose and Vault Pits in the amount of \$86,519,614.00 (total), with \$5,400,000.00 specifically allocated to the re-flooding and dike breaching of Goose and Vault Pits.

Agnico Eagle Mines (AEM) has requested to expand their operations at the Vault Pit into the adjacent Phaser Lake (Phaser Pit and Baby Phaser Pit). DFO understands that AEM's 2014 Interim Closure and Reclamation Plan Cost Estimate does not include the costs associated with reclamation that will be required due to the expansion into Phaser Lake.

The securities held by DFO do not include the costs of re-flooding or dike breaching at any of the Meadowbank Mine site pits (Goose, Portage, Vault), or the proposed expansion into Phaser Lake.

As noted in AEM's November 2013 No Net Loss Plan Implementation Cost Estimate and Construction Schedule, "DFO has agreed that the estimated cost of re-flooding the three open pits and breaching the dewatering dikes does not need to be included in their security. This is because it has already been addressed by AEM, INAC and the Kivalliq Inuit Association (KIA) during their respective estimates of the reclamation security to be required under the Type A Water License to be issued by the Nunavut Water Board and the Production Lease to be issued by the KIA."

DFO provided correspondence to the NIRB and AEM on November 27, 2013 regarding the securities DFO holds for AEM's activities affecting fish and fish habitat following upon a request by AEM at that time to reduce securities. DFO's concerns included:

- A lack of clarity as to whether the cost of monitoring as per Metal Mine Effluent Regulations (MMER) requirements is included in AEM's securities. The "MMER require environmental effects monitoring to be conducted downstream from the TIAs to determine if there are any effects on fish, fish habitat, or the use of fisheries resources." Canada Gazette 2008.
- AEM did not include costs associated with sediment and erosion controls as they propose to do all work in the dry or under frozen conditions. This may not be feasible in the closure scenario.
- AEM did not include the cost of preparation of rock, appropriately sized for fish habitat construction though DFO needs to ensure that this rock is sufficiently sized to resist ice/wind/wave action to ensure the long term stability of the fish habitat compensation measures for which this rock is required. AEM did not include this item citing that there is insufficient literature to indicate appropriate sizing of rock for fish use.
- AEM did not include the cost estimate of offsetting features already and partially constructed, in the event they are found to not be functioning as intended.
- AEM did not include a breakdown of monitoring costs e.g. annual costs, reporting, mobilization and demobilization, field disbursements (flights, shipping, food, equipment rentals, etc.) lab fees and project management.
- AEM did add an inflation cost of 5%, though this estimate, and the 20% contingency was based solely on the construction cost estimate, and did not include other relevant costs such as mobilization and demobilization, and compensation monitoring.
- AEM did not include cost of transportation of personnel back and forth between the mine and Baker Lake; cost of room and board at camp; cost of equipment rental; consumable field supplies cost, cost of crew equipment mobilization and demobilization; and, cost of boats, motors and fuel for fish habitat monitoring.

In preparation for the regulatory phase of review pursuant to the proposed Vault Expansion component of the Meadowbank Project into Phaser Lake, DFO requested AEM revise their No Net Loss Plan (NNLP) Implementation Cost and Construction Schedule (2013) to address the above noted concerns.

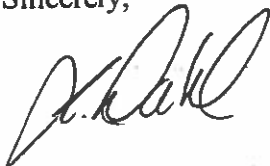
AEM has recently (February 27, 2016) indicated to DFO they will provide a memo to account for the fisheries offsetting costs associated with Phaser Lake, culvert replacements, Baby Phaser Pit, Baby Phaser pit roads and Baby Phaser pit cap.

In summary, DFO requires assurance that the securities held by INAC will be sufficient to cover the costs of re-flooding and dike breaching at all of the Meadowbank mine site pits; and, that securities will be sufficient to cover the costs of the proposed expansion into Phaser Lake. Additionally, DFO is of the opinion that many aspects of the current securities held by DFO may be insufficient as they do not provide for offsetting related to impacts from the Vault Pit Expansion into Phaser Lake, nor do they currently provide for the items identified by DFO above.

As such, DFO requests AEM revise their 2013 NNLP Implementation Cost and Construction Schedule to address the above listed concerns (rather than providing a supplemental memo) for review by DFO to determine if these concerns will be addressed, and if the current securities held by DFO are sufficient to cover all costs associated with implementation of offsetting including monitoring.

If you have any questions, please contact Elizabeth Patreau at (204)583-3259, or by email at Elizabeth.Patreau@dfo-mpo.gc.ca. Please refer to the file number referenced above when corresponding with the Program.

Sincerely,



Julie Dahl
Regional Manager, Regulatory Reviews
Fisheries Protection Program

cc. Elizabeth Patreau— DFO

