



April 16, 2015

Ms. Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
GJOA HAVEN, NU, X0E 1J0

Via: Email: licensing@nunavutwaterboard.org

**Re: Renewal of Meadowbank Water License #2AM-MEA0815
Response to the Final written Submission**

Dear Ms. Beaulieu:

Late last week we received a copy of the April 08, 2015 final written submission to the NWB made by Aboriginal Affairs and Northern Development Canada on the renewal of the Meadowbank Type A Water License. After reviewing this letter we have significant concerns over the recommendations being put forward by AANDC with respect to the site specific water license security. From a procedural perspective, we also note that this is the first time in the renewal process that AANDC has raised many of these concerns. In this letter AANDC raises two main recommendations:

1. That Agnico Eagle's reclamation estimate be raised by \$1,650,126 to a total of \$86,519,614 to reflect AANDC's experience that: "there is inevitably a period of interim care and maintenance that is required after an operator abandons a site due to financial difficulty. That time is required for legal processes, non-operator reclamation planning, service procurement, etc. Costs expended on interim care and maintenance in that period reduce the amount of security available for reclamation purposes." In our opinion, this extra interim care and maintenance cost unfairly places an additional burden on the proponent's reclamation security obligations and reflects poorly on the government's responsibility to promptly fulfill its obligations to reclaim an abandoned site. Agnico Eagle believes the Reclaim



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Model sufficiently accounts for interim care and maintenance and the “extra” time referenced by AANDC is in reality a measure of Government inefficiency; however Agnico Eagle does not contest AANDC’s recommendation and will adjust its security estimate accordingly.

2. That the Nunavut Water Board set reclamation security within the renewed Meadowbank Water License at \$86,519,614. By its submission, AANDC has essentially asked the Board to ignore the recommendations put forward by the Kivalliq Inuit Association who have recommended that the amount of security bonding be split 50% - 50% between the Government of Canada and the private land owner, the Kivalliq Inuit Association. Under the KIA’s proposal, the KIA and the Government of Canada would then jointly share responsibility for reclamation of the abandoned site in the event that the Proponent was no longer able to meet its obligations. The position put forward by AANDC also ignores all of the efforts made over the past 8 years since the first Meadowbank Type A Water License hearing held in 2008 to try and resolve the issue of “double bonding” or “overbonding”. (In the 2008 Type A water license process, Agnico Eagle agreed to provide security covering 134% of the agreed upon reclamation liability, an amount representing \$14.8 Million with the understanding that the Government and Canada would work with the KIA to resolve the “double bonding” issue before the end of the license period.) The position taken by AANDC eight years later clearly demonstrates an inability of the Government of Canada and the Kivalliq Inuit Association to work together to resolving this issue.

Ultimately, Agnico Eagle has a responsibility to provide adequate security to ensure that our mine site can be fully reclaimed should we fail to do so either as a result of abandonment of the site or through bankruptcy. However, Agnico-Eagle should not be required to provide water license security beyond the agreed upon reclamation liability.



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3. AANDC in their April 08th letter makes the statement that “At the time of making this submission, while AANDC has some awareness of negotiations between the Kivalliq Inuit Association and AEM, AANDC does not know what private security might be held by the Kivalliq Inuit Association prior to the Board's license decision, or what the terms of those security arrangements would be.” We find this statement to be disingenuous. The KIA and AANDC have been discussing mechanisms by which they can resolve this overbonding issue for years. On occasion they have invited AEM to be present for their discussions, at which time we have participated and have on many occasions suggested ways to resolve this issue. In all cases AANDC tells us that they cannot resolve the issue because it interferes with the powers of their Minister. The KIA has proposed ways to resolve the issue. They have made AANDC aware of their security requirements and conditions under the KIA's Land Use Leases. It is difficult for AEM to understand that after 8 years the matter of overbonding has not been resolved. In this round Agnico Eagle could be faced with overbonding requirements under the Water License of 132% (\$27.7Million) or 150% (\$43.3Million) depending upon what recommendation the Board chooses. This is significant amount of money and has severe negative impact on how mining investment in Nunavut is perceived.

In our view the Kivalliq Inuit Association has in good faith tried to reach accommodation with AANDC but this letter suggests these efforts have been dismissed. AANDC has told the KIA in our presence that they will not indemnify the KIA for future liability resulting from the failure of Agnico Eagle to properly reclaim the Meadowbank site. Consequently KIA has had no option but to request to hold their own security against reclamation.

Unfortunately, this letter clearly demonstrates an unwillingness of the Government of Canada to work with KIA to jointly manage the holding and ultimate use of the reclamation security. In their April 08th letter AANDC now suggests to the NWB that the "double bonding" issue is now a matter to be resolved between KIA and Agnico Eagle which in our view is a case of “passing the buck”.



We find this position very discouraging and unfair to Agnico Eagle especially in light of the efforts on our file, as well as the position taken by AANDC on reclamation security bonding at the 2014 Mary River Type A Water License hearings.

Agnico Eagle suggests that there are several ways for the NWB to address this issue in a way that is equitable to all parties, while ensuring that adequate reclamation security is posted by the Proponent to protect the environment while minimizing the amount of “overbonding”. We suggest the following possible approaches:

1. Set the total amount of required reclamation security at \$86,519,614 with 50% of the security to be held by the Government of Canada and 50% to be held by the Kivalliq Inuit Association. 30 days of the issuance of the License, Agnico Eagle would provide evidence to the NWB and the Minister that both securities have been posted in the forms of irrevocable Letters of Credit and that such amounts are to be posted against reclamation should the Proponent fail to meet its obligations. This is the option preferred by Agnico Eagle as it is most equitable to all of the parties while still providing the protection sought by the Board and required by the Act.

Alternatively;

2. Set the total amount of required reclamation security at \$86,519,614 with 68% (\$58.8 Million) of the security to be held by the Government of Canada and 32% (\$27.8 Million) of the security to be held by the Kivalliq Inuit Association. Agnico Eagle would provide evidence to the NWB and the Minister, that both securities have been posted in the forms of irrevocable Letters of Credit and that such amounts are to be posted against reclamation should the Proponent fail to meet its obligations. The 68%-32% split is the estimated water-land reclamation liability split calculated using the RECLAIM model. This option may be less equitable to all parties but it provides the protection sought by the Board, splits the water-land liability obligations while avoiding any overbonding.



It is important for the board to be aware that with our Meliadine Project due to proceed into the Water Licensing Process later this year, the issue of Double Bonding will again raise its head and it is conceivable that Agnico Eagle could be in a position of being asked to pledge close to \$80 Million in the form of extra security (overbonding) on top of the amounts that all parties agree is the amount required to reclaim both sites.

The position AANDC has taken on setting reclamation security via their letter of April 08th, within 3 weeks of the final stages of the Type A renewal process, is evidence to Agnico Eagle that the issue of double bonding is far from being resolved. It is also clear that AANDC has no further will to advance discussions aimed at resolving the double bonding issue as indicated by their assertion that this is now a matter between KIA and Agnico Eagle. It is Agnico Eagle's opinion that the Government of Canada has had the time and the power to resolve the issue and has failed. While Agnico Eagle has proposed several ways to resolve or partially mitigate the double bonding issue for the Meadowbank Type A renewal, we urge the Board to take a strong position against setting security requirements that result in Double Bonding.

Regards

Agnico Eagle Mines Limited

Larry Connell

Corporate Director of Regulatory Affairs

cc: David Abernathy, AANDC



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L. Manzo - KIA