

NUNAVUT WATER BOARD
Date: April 29, 2015
Exhibit No.: 3

**MEADOWBANK TYPE A LICENSE
RENEWAL
FINAL PUBLIC HEARING COMMUNITY
PRESENTATION
APRIL 29-30 2015**



Stephane Robert (Manager of Regulatory Affairs)

AGENDA



- Meadowbank overview
- Tailing and waste management
- Renewal Application
- Closure and reclamation
- Technical comments
- Estimated reclamation liability
- Setting Reclamation Security



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MEADOWBANK OVERVIEW



History Facts

- **2003:** Application to NWB and NIRB
- **2006:** Project Certificate Issued by NIRB
- **2008:** All Permits Received
 - ✓ Water License A
 - ✓ Amendment no1 – Tank farm expansion
 - ✓ Amendment no2 – Fresh water uses
 - ✓ DFO Authorization
 - ✓ MMER Schedule 2
- **2008:** Construction of Dikes and Pit Stripping started
- **2010:** Start of Commercial Production
- **End of 2017:** Expected End of Operation
- **2018 and Beyond:** Closure and Potential future plans



June 2008



August 2009



September 2013

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MEADOWBANK OVERVIEW



Three (3) open pits in operation

- Portage, Goose, Vault

Gold production

- 2010 to 2014 = 1.8M oz (produced)
- 2015 to 2017 = 1.0M oz (estimated)

Average annual gold production

- 350,000 ounces over L.O.M.

Number of employees = 775

- 265 Inuit or 34% of the workforce
- Inuit payroll of \$29M per year

Estimated life of mine

- 2010-2017
- Potential to extend the mine life beyond 2017



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Nunavut Mining Symposium



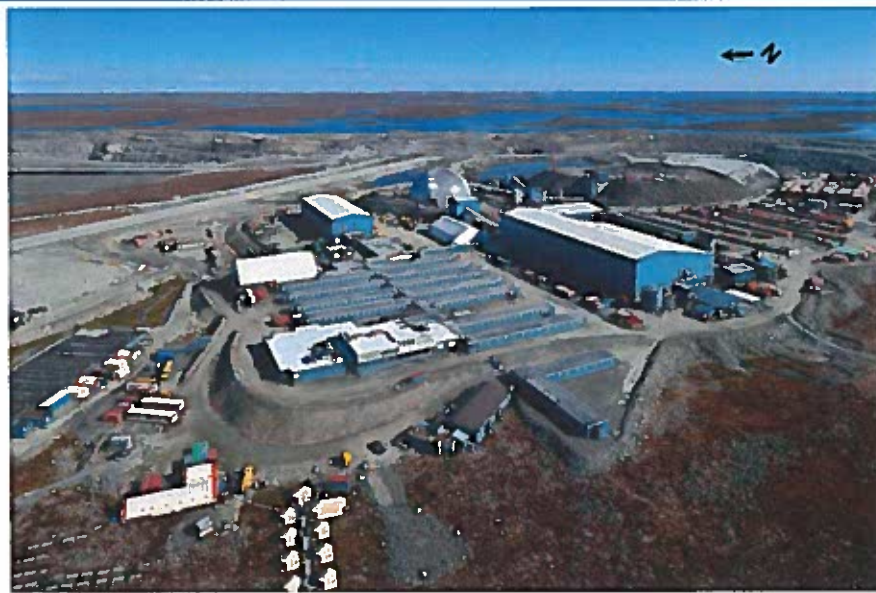
PORTAGE PIT, GOOSE PIT, CENTRAL DIKE – SEPT. 2014



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SITE INFRASTRUCTURE – SEPT. 2014



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VAULT PIT

- Vault Dikes constructed in March 2013
- Operations started in Q1 of 2014
- Dewatering completed (2.7Mm³ in total)
- Fishout completed in September 2013
 - 2821 fish removed
 - 54% transferred in Wally Lake



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VAULT PIT – SEPT. 2014



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TAILING AND WASTE MANAGEMENT



MEADOWBANK TSF AND RSF OVERVIEW



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TAILINGS DEPOSITION PLAN HIGHLIGHTS



2010-2017: Approximately 13.6 Mm³ of tailings will be stored in the North Cell, and 9.1 Mm³ in the South Cell – total of ~ 22.7 Mm³.

- 2010: Tailings deposition in the North Cell
- End of 2014: Tailings deposition in the South Cell;
- Summer of 2015: Deposition in the North Cell will resume for few months, to minimize the ice entrapment for closure.
- Fall 2015: Deposition in the South Cell until the end of operation;

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TAILINGS STORAGE FACILITY – NORTH CELL



As for December 31th, 2014

North Cell (2010-2015)

Structures are completed to El.150m

Water Volume: 79,790 m³

Cumm. Stored Tailings:
12,636,984 m³ / 16,252,769 tonnes

Total capacity (until 2015):
13,581,776 m³ / 17,740,658 tonnes



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TAILINGS STORAGE FACILITY – SOUTH CELL

South Cell (2014-2017)

▪Central Dike

El.120m in 2013

El.132m – 2014

El.~140m – 2015/2016

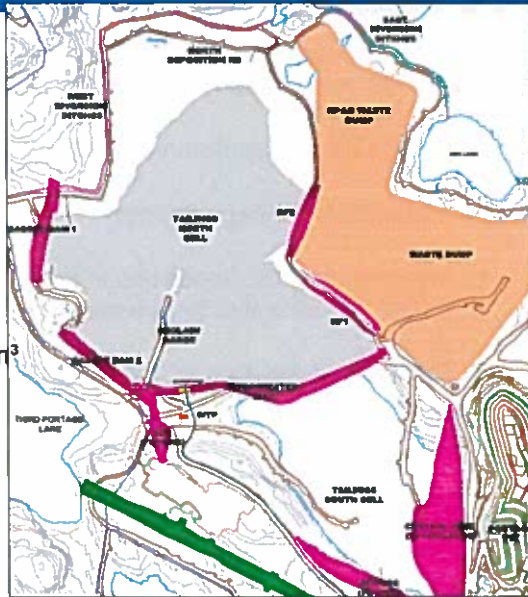
▪Saddle Dam 3, 4 and 5

~El.140m – 2015/2016

Water Volume: 757,819 m³

Cumm. Stored Tailings: 386,029 m³
/ 469,355 tonnes

Total capacity (until 2017):
9,134,955 m³/ 11,962,743 tonnes



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RENEWAL APPLICATION



APPROACH TO RENEWAL



- AEM proposed updates to certain items or conditions of the licence that are **administrative** in nature.
 - *Removal of items no longer applicable;*
 - *Removal of items originally made as conditions to "update plans";*
 - *Removal of conditions related to construction or early operations;*
 - *Removal of items that never existed or are not anticipated to exist; (i.e, certain monitoring stations);*
 - *Changes that reflect amendments, modifications or discussions at workshops with regulators; (Part E, Item 6 and 7);*
 - *Updates to certain items that are administrative in nature (pg 64)*
 - *Improve clarity and consistency for both AEM and NWB*

HIGHLIGHTS



- **Scope**
 - *Purpose: Mining and Milling*
 - *Term – 10 years (Operations, Closure, Post Closure)*
 - *Removal reference construction (where applicable)*
- **General Conditions**
 - *Revised list of plans*
 - *Security no changes*
- **Construction**
 - *Removal reference construction where completed*
- **Water Use and Management**
 - *Total volume freshwater requested 9.1Mm³ per year*
- **Waste Disposal and Management**
 - *Removal discharge to land for fuel containment facilities consistency with Part F, Item 23*

HIGHLIGHTS



- **Modifications**
 - *No changes*
- **Emergency Response and Contingency Planning**
 - *No changes*
- **General and Aquatic Effects Monitoring**
 - *Change in monitoring group*
 - *Administrative changes, removal of stations no longer applicable*
- **Abandonment, Reclamation and Closure**
 - *Maintaining commitment for detailed closure plan ``at least 12 months prior`` to closure*
 - *Ongoing progressive reclamation*

FRESHWATER REQUIREMENTS



Table 6-1 - Freshwater requirements from Third Portage Lake, Unnamed Lake and Wally Lake.
Updated and Adapted From SNC 2013 Water Management Plan (Table 4-3)

Year	AWM/Camp: Freshwater Use from TPL (m ³ /yr)	Emulsion Plant: Freshwater Use from Unnamed Lake (m ³ /yr)	Portage and Goose Pit Flooding from TPL (m ³ /yr)	Vault Lake Pit Flooding from Wally Lake (m ³ /yr)
2013	1,585,009	2,400	0	0
2014	1,147,600	2,400	0	0
2015	1,147,600	2,400	450,000	0
2016	1,147,600	2,400	1,200,000	0
2017	1,147,600	2,400	1,200,000	0
2018	55,000*	0	4,880,000	4,184,652
2019	55,000	0	4,880,000	4,184,652
2020	55,000	0	4,880,000	4,184,652
2021	55,000	0	4,880,000	4,184,652
2022	55,000	0	4,880,000	4,184,652
2023	55,000	0	4,880,000	4,184,652
2024	55,000	0	4,880,000	4,053,662
2025	55,000	0	0	0

*Fresh water consumption for domestic camp use.

TECHNICAL COMMENTS



TECHNICAL COMMENTS



- Technical comments (TCs) on Water License Renewal received on December 24th, 2014
 - KIA and their consultants, AANDC and its consultant, DFO and Environment Canada.
- A total of 97 TCs comments were received:
 - *Interim Mine Closure and Reclamation* (~ 16%)
 - *Modification / rewording draft water license* (~ 33%)
 - *Freshet Action Plan / RSF Seepage* (~ 7%)
 - *CREMP* (~ 11%)
 - *Management Plan* (~ 32%)
- During the technical Hearing, AEM reached an agreement on all the technical comments from the regulators.

CLOSURE AND RECLAMATION



INTERIM CLOSURE PLAN



- Part J of the licence requires implementation of the approved *Interim Closure and Reclamation Plan (ICRP)*.
 - AEM commitment to revised ICRP to reflect issues raised and commitment made throughout the NWB review process.
- Part J, Item 3 of the licence required submission of a *Final Closure and Reclamation Plan* at least 12 months prior to closure.
 - AEM commitment to comply.
- AEM is committed to complying with all standards, guidelines applicable to closure and reclamation

MEADOWBANK CLOSURE SCHEDULE



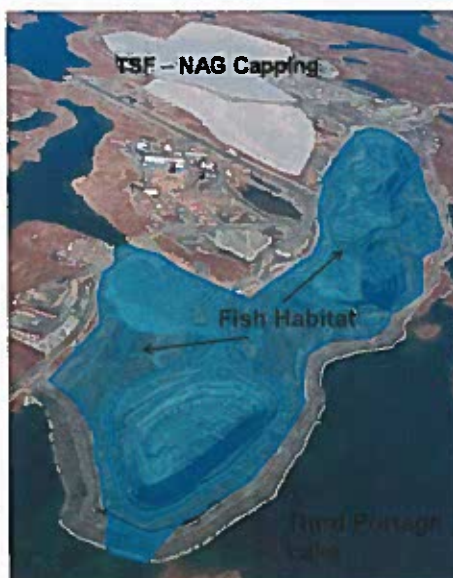
Major Milestones for Closure (based on Interim Closure Plan, Golder, Jan 2014 and actual LOM):

Years	Milestones
2017 Q3	End of Production
2017 Q4 to 2020	Meadowbank Infrastructure Decommissioning
2015 (NC) to 2018	TSF Closure (NAG Capping)
2018 to 2032	TSF Water Quality and Thermal Monitoring
2018 to 2020	Water Management Facilities Closure
2015 (Goose) to 2024	Pits Flooding – Portage, Goose, Vault
2024 to 2028	Pits Water Quality Monitoring
2029	Dikes Breach (Open to Third Portage Lake)
2018	RSF NAG Cover Completion
2018 to 2028	RSF Water Quality, Thermal and Stability Monitoring
2030 to 2040	AWPR and Vault Road Closure and Monitoring

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TSF = Tailings Storage Facility RSF = Rock Storage Facility

CONCEPTUAL OPEN PITS RE-FLOODING



Portage and Vault Areas
Open Pits Flooding – Conceptual Overview



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ESTIMATED RECLAMATION LIABILITY AT MEADOWBANK



WHAT IS THE ESTIMATED RECLAMATION LIABILITY AT MEADOWBANK?



- All parties to this process agree that the current estimate of the reclamation liability at the Meadowbank mine site is \$86,519,614
- This represents the estimated cost of reclaiming the site at the end of the expected mine life in 2017 and is based on worst case assumptions, specifically:
 - AEM is unable to meet its obligations either through bankruptcy or other cause;
 - Government has to step in and take over reclamation of the site using outside contractors;
 - There is a period of time before Government starts cleaning up the site.
- This is a significant increase from the estimate in the current license of \$43.9 Million estimated in 2008 and reflects:
 - Growth in the size of the mine from its start in 2008 to today and looking towards end of mining in 2017;
 - Increase in the unit cost of all labour, materials and services that will be needed to reclaim the mine;
 - Better understanding of how the site can best be reclaimed;
 - A much larger allowance for interim care and maintenance cost before the Government starts work.

AGREEMENT ON RECLAMATION LIABILITY AT MEADOWBANK



- It is AEM's understanding that now all Parties Agree that the Reclamation Liability for the Meadowbank Site through the end of mining in 2017 is \$86.5 Million, broken down as follows:
- | | | |
|------------------------|-----------------------|------------|
| Water Liability | \$58.8 Million | 68% |
| Land Liability | \$27.8 Million | 32% |

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SETTING RECLAMATION SECURITY



WHAT IS THE CURRENT SITUATION AT MEADOWBANK? HOW MUCH SECURITY HAS AEM POSTED FOR RECLAMATION



- Type A WL Security Requirement:
 - \$43,900,000
- Security Bond Posted in form of Irrevocable Letter of Credit (LoC):
 - \$43,900,000 posted to Government of Canada – AANDC
- KIA Commercial Lease Security Requirement
 - \$14,900,000
- Security Bond Posted in form of Irrevocable LOC:
 - \$14,900,000 posted to KIA
- Total Security Posted: \$58,800,000 against agreed upon liability of \$43,900,000
- Over bonding of 134% or \$14.9 Million

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RECLAMATION SECURITY - WHAT ARE AEM'S EXPECTATIONS?



- That there be one agreed upon security amount that covers 100% of the agreed upon liability – (no double or over bonding)
- That how the security be held or managed in the event that the company has failed to meet its requirements is in some agreed upon arrangement between the Government of Canada (AANDC) and the Kivalliq Inuit Association (KIA) .
- Remember if the security is being accessed then it is likely that AEM has in some form failed or is likely unable to meet its obligations and is no longer in the picture.

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DOUBLE BONDING – WHERE DO WE GO FROM HERE?



Agnico Eagle suggests that there are several ways that the NWB could 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. Split the Security between the WL and Land Use Lease

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 via the Water License and 50% to be held by the Kivalliq Inuit Association via their land use leases (KIA Production Lease).

- Agnico Eagle would provide evidence to the NWB 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.
- Spell this out within the Water License.
- 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.

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DOUBLE BONDING – WHERE DO WE GO FROM HERE?



Alternatively;

2. Split the security between Water and Land

- Set the total amount of required reclamation security within the WL at \$58.8 Million to reflect the 68% portion of the total \$86.6 Million that is water related; and
- Recommend that the KIA set the reclamation security with their Production Lease at \$27.8 Million to reflect the remaining 32% portion of the total \$86.6 Million that is land related.
- Under the WL require that Agnico Eagle provide evidence to the NWB 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 alternative provides the protection sought by the Board and as required under the NWNSRTA, splits the water-land liability obligations while avoiding any overbonding.

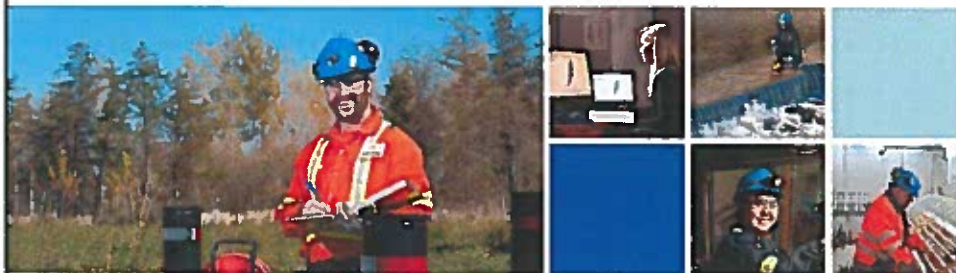
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DOUBLE BONDING – WHERE DO WE GO FROM HERE?



- On a larger scale project this double bonding could add tens of millions of \$ to the reclamation bonding requirements.
- 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.
- This makes development of mining projects on IOL unattractive and potentially penalizes Inuit beneficiaries without providing any improvement in protection;
- This double bonding issue is unfair to industry and to Inuit and needs to be resolved.

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