

January 22, 2019

Stephanie Autut
Executive Director
Nunavut Water Board
Box 119
Gjoa Haven, NU X0B 1J0

Dear Stephanie Autut:

Re Meadowbank Water Compensation Agreement

Further to the Kivalliq Inuit Association's (**KIA**) letter to the Nunavut Water Board (**NWB**) of Jan. 18, 2019 (shared with Agnico Eagle Mines Limited (**Agnico**) on Jan. 21, 2019) and the NWB's email of Jan. 21, 2019 to Agnico and KIA, Agnico wishes to provide the NWB with some context on the Meadowbank Water Compensation Agreement negotiations and on the reasons why no agreement has been reached despite many good faith attempts on behalf of Agnico.

Agnico's discussions with KIA about the renewal of the Meadowbank Water Compensation Agreement began in August 2018, leaving ample time for discussions and exchanges to reach a fair agreement for both parties.

Since Aug. 22, 2018, when KIA indicated to the NWB that it was reviewing water compensation under the Meadowbank Water Compensation Agreement, Agnico has repeatedly reached out by various means to ask KIA to provide its Meadowbank Water Compensation Proposal (the **KIA Proposal**). The following is a summary of the exchanges that took place between Agnico and KIA on the subject:

- Agnico was told by KIA on Aug. 22, 2018 to expect a draft KIA Proposal;
- Having not yet received the KIA Proposal, Agnico followed up with KIA on Oct. 19, 2018, and Agnico was told that it would receive the KIA Proposal shortly after Oct. 25, 2018;
- Having not yet received the KIA Proposal, Agnico followed up with KIA again on Nov. 5, 2018, and KIA responded that it would provide the KIA Proposal in "a day or two;"
- Having not yet received the KIA Proposal, Agnico followed up with KIA again on Nov. 9, 2018;
- Having not yet received the KIA Proposal, on Dec. 18, 2018, KIA informed Agnico that the KIA Proposal would be sent to Agnico that week.

As of Dec. 21, 2018, the KIA Proposal still had not yet been shared with Agnico. As Agnico has emphasized to the parties during the In Pit Deposition NIRB and NWB processes, it is important that Agnico receive a decision from NWB by no later than March 2019 to follow the tailings deposition plan presented to the authorities. An unforeseen constraint has also been placed by

KIA who indicated to Agnico that matters relating to Meadowbank water compensation could delay the issuance of the Whale Tail Production Lease. If Meadowbank water compensation matters are not resolved by March 2019, it may be necessary for Whale Tail exploration and construction activities to be suspended as of Apr. 1, 2019.

Given the serious consequences of further delays on Agnico as well as on the Inuit from the Kivalliq region working at the Meadowbank site, and after discussing the possibility with your office, on Dec. 21, 2018 Agnico decided to provide written notice to KIA and to the NWB of the potential dispute and need to make use of the formal NWB water compensation determination process (the **NWB Water Compensation Determination Process**).

On Dec. 22, 2018, as Agnico still had not received any proposal from KIA, Agnico shared with KIA its proposal for Meadowbank compensation (the **Agnico Proposal**). This proposal acknowledges and confirms the existing Meadowbank Water Compensation Agreement that is in place. It is noted that Agnico has not received any feedback from KIA on the Agnico Proposal. On Dec. 23, 2018, an "Updated Water Compensation for Whale Tail and Whale Tail Expansion" was provided to Agnico by KIA, with an indication that the KIA Proposal on the Meadowbank Water Compensation would be ready by the next week.

On Jan. 16, 2019, KIA finally provided the KIA Proposal to Agnico via an email sent by KIA's external legal counsel to Agnico's legal counsel. Agnico is presently considering its response to the KIA Proposal and will advise the NWB in the coming days as to whether it will be necessary to formally initiate the NWB Water Compensation Determination Process.

It continues to be Agnico's hope that KIA and Agnico can resolve the matter of Meadowbank water compensation bilaterally and in a timely and collaborative manner. However, based on recent water compensation negotiations, given the crucial importance of this agreement in the continued operation of Meadowbank and given that the parties have been unable to resolve the Meadowbank Water Compensation as, of today's date, Agnico requests that the NWB prepare for a potential NWB Water Compensation Determination Process as provided for in section 63 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, which follows the general timelines set out in Agnico's letter to the NWB of Dec. 21, 2018, with a decision on compensation to be issued by not later than Mar.18, 2019.

As described above, the need to resolve this matter in the very near term is currently being driven by the March 2019 deadline. However, if KIA would (a) confirm that it is satisfied that the NWB can proceed with its final decision making on the In-Pit Disposal amendment, and (b) confirm that KIA will issue the Whale Tail Production Lease to Agnico by Friday, Jan. 25th so that Agnico can proceed with its activities to develop the Whale Tail Project and commence production in July 2019, Agnico would be agreeable to extending the timeline for bilateral discussions on water compensation matters with the goal of achieving resolution during the NIRB and NWB Whale Tail Extension regulatory process.

Agnico requests that KIA confirm whether this approach is acceptable by the end of the day on Wednesday Jan. 23, 2018.

Should you have any questions about this letter, please do not hesitate to contact the undersigned.

Regards,



Dominique Girard
Vice-President, Nunavut

copy to: Gabriel Karlik, Kivalliq Inuit Association