# Appendix A1

# Report: 2012 KIA Quarterly Report

MEADOWBANK DIVISION

# Production Lease KVPL08D280

## 2012 First Quarter Report

April 2012

## TABLE OF CONTENTS

## SECTION 1 • SUMMARY OF ACTIVITIES

Agnico-Eagle Mines Limited - Meadowbank Division (AEM) is required under condition 5.10 of Production Lease KVPL08D280 to deliver quarterly reports to the KIA detailing its activities on the leased land. The following sections summarize activities during the first quarter (Q1) from January to March 2012.

### 1.1 HIGHLIGHTS FOR THE QUARTER

- Production of 79,435 oz of gold
- Mined 7,612,683 tonnes of waste rock and ore
- On February 15, 2012, a press release from Agnico-Eagle Mines announced a write-down of $644.9 million dollars on the Meadowbank Gold Project. This reduced the life of the mine by approximately 3 years.
- 16 spills were found on the site; one spill was reported to the Government of Nunavut

### 1.2 MILL AND POWER PLANT

| Performance Indicators | Current Quarter | YTD Realized |
|---|---|---|
| Tonnes Processed (t) | 887,061 | 887,061 |
| Gold Grade (g/t) | 2.98 | 2.98 |
| Gold Produced (oz) | 79,435 | 79,435 |

- Daily tonnage of 9,474 tonnes per day vs 9,016 budgeted; higher mill availability and throughput
- Positive impact on recovery denoted during the quarter in relation with the gravity circuit operation

### 1.3 MINING - ENGINEERING AND PRODUCTION

| Performance Indicators | Current Quarter | YTD Realized |
|---|---|---|
| Waste Rock Production (t) | 6,667,829 | 6,667,829 |
| Ore Production (t) | 944,854 | 944,854 |
| Total Blasting (t) | 8,375,003 | 8,375,003 |
| Total Drilling (m) | 189,171 | 189,171 |

- Total tonnes moved close to the budget (98%); lower equipment availability than planned
- Total meters drilled 105% of the budget; drill performances confirmed the capability of our drill to operate during extreme cold quarter

- New planning tool implemented; Bay Goose pit digging started as planned at the end of the quarter; First part of Vault road completed and culvert installed.

## 1.4 GEOLOGY

- RC drill and diamond drill definition program ongoing in Portage Pit
- The Vault Pit diamond drilling starter program was completed in February; two diamond drills have been mobilized to the Vault Waste Rock Pad

## 1.5 SITE CONSTRUCTION ACTIVITIES

- Upgrade to assay laboratory ongoing

## 1.6 DIKE CONSTRUCTION ACTIVITIES

- Preparation for the Central Dike construction
- Three culverts were installed on the Vault Haul Road

## SECTION 2 • VARIATION FROM THE MINE PLAN

The "*2012 Mine Plan*" for the Meadowbank Gold Project, prepared for the Kivalliq Inuit Association as required by Production Lease KVPL08D280, was submitted to the KIA in January 2012.

On February 15, 2012, a press release from Agnico-Eagle Mines announced a write-down of $644.9 million dollars on the Meadowbank Gold Project. As a result of higher than expected operating costs, Meadowbank's ore reserves were reduced to reflect the fact that the company is not able to economically mine the lower grade ore. This also reduced the life of the mine by approximately 3 years. According to the revised plan, operations are now scheduled to be completed by 2017 instead of 2020.

As a result of the revised plan for the project, operation activities planned for 2012 changed. Consequently, Section 4.1 and Table 4.1 of the "*2012 Mine Plan*" were revised in the "*2012 Mine Plan Addendum*" to reflect these changes.

There was no planned variation from the "*2012 Mine Plan Addendum*".

## SECTION 3 • INSPECTION REPORTS

There was one inspection conducted during the quarter. The water inspector from Aboriginal Affairs and Northern Development Canada (Andrew Keim) visited the site on March 23 and 24, 2012. A tour was conducted of the Bulk Fuel Storage Facilities, incinerator, Bay Goose Dike, Portage Pit, Goose Pit, Waste Rock Storage Facility, landfill, Tailings Storage Facility, and potable water treatment plant. No formal inspection report has been received as of yet.

## SECTION 4 • ENVIRONMENTAL MONITORING

### 4.1 WASTE MANAGEMENT

During the quarter, 16 spills were found on the site. One spill was reported to the Government of Nunavut: while moving a Sea Can at the Emulsion Plant, a drum of emulsifier oil (160 L) fell over.

A 40-hour comprehensive spill training course was taken by 4 AEM personnel (from the Environment, Emergency Response Team and Training departments) in February. AEM will develop a spill training program for our site in the following few months to be given to key personnel.

A metal recycling program was implemented at the beginning of February.

### 4.2 WATER MANAGEMENT

During the quarter, 184,363 $m^3$ of water was used for the camp, mill and emulsion plant.

Seven thermistors were installed in the Waste Rock Storage Facility (RF1 and RF2) and Tailings Pond to measure the freeze back.

### 4.3 WILDLIFE MANAGEMENT

A wolf and a pair of wolverines have been roaming around the camp. The Environment department has been doing regular patrolling of the site and deterring wildlife when observed. The GN conservation officers came to site in March and exterminated an unhealthy wolf that had been on site for over a month.

Two employees were bitten by foxes. This aggressive behaviour is often associated with rabies. Preventively, the rabies vaccine was given to the two employees. The Environment department exterminated 5 foxes (with the authorization of the GN). The animals were tested for rabies; the tests came back negative.

A meeting was held with the Baker Lake Hunters and Trappers Organization (7 board members) in February. A presentation and a brief tour of the site were held.

### 4.4 PERMITTING

Baxter Consulting continues to work on the Meadowbank No Net Loss of Fish Habitat Contingency Plan and is assisting in developing a transferable method of accounting for fisheries compensation planning.

In March, the Department of Fisheries and Oceans agreed to amend the Meadowbank HADD Authorization to correct discrepancies associated with the habitat compensation features. At the same time AEM will apply for updates to the Authorization to include the Vault Pit (not included in the first Authorization) and changes due to the new Mine Plan.

Following modifications to the Environmental Emergency Regulations, the maximum storage of ammonia nitrate on site (10,000 tm) was reported to Environment Canada. Accordingly, a revision of the Meadowbank Emergency Response Plan was completed.

The following annual reports were completed and submitted to regulators:

- MMER annual report via electronic database;
- EEM annual report via electronic database;
- EEM annual report addendum including QAQC activities; and
- The annual report for the NWB, DFO, AANDC and KIA.

MEADOWBANK DIVISION

# Production Lease KVPL08D280

## 2012 Second Quarter Report

July 2012

## TABLE OF CONTENTS

# SECTION 1 • SUMMARY OF ACTIVITIES

Agnico-Eagle Mines Limited - Meadowbank Division (AEM) is required under condition 5.10 of Production Lease KVPL08D280 to deliver quarterly reports to the KIA detailing its activities on the leased land. The following sections summarize activities during the second quarter (Q2) from April to June 2012.

## 1.1 HIGHLIGHTS FOR THE QUARTER

- Production of 98,403 oz. of gold
- Mined 8,763,455 tonnes of waste rock and ore
- 21 spills were found on the site; six (6) spill was reported to the Government of Nunavut

## 1.2 MILL AND POWER PLANT

| Performance Indicators | Current Quarter | YTD Realized |
|---|---|---|
| Tonnes Processed (t) | 901,073 | 1,788,133 |
| Gold Grade (g/t) | 3,59 | 3.29 |
| Gold Produced (oz) | 98,403 | 177,804 |

- Higher head grade due to a better mining selectivity in Goose and Portage and a better grade than expected from the super high grade zone
- Over 93,100 tonnes per day moved and 2,323 m/d in average, both achieved forecast and budget target

## 1.3 MINING - ENGINEERING AND PRODUCTION

| Performance Indicators | Current Quarter | YTD Realized |
|---|---|---|
| Waste Rock Production (t) | 6,485,530 | 13,104,847 |
| Ore Production (t) | 849,228 | 1,794,082 |
| Total Blasting (t) | 8,581,346 | 16,830,315 |
| Total Drilling (m) | 210,820 | 395,534 |

- YTD tonnes moved are above the budget (106%)
- Goose production went well and commercial production occurred in June

## 1.4 SITE CONSTRUCTION ACTIVITIES

- The construction of the Vault Road continued during the quarter.

## 1.5 DIKE CONSTRUCTION ACTIVITIES

April has seen the construction start-up of Central Dike. Work was concentrated on the smoothing of the slope of the downstream side of the Coffer Dam including aggregates placement. The excavation of the key trench started.

## SECTION 2 • VARIATION FROM THE MINE PLAN

The "*2012 Mine Plan*" for the Meadowbank Gold Project, prepared for the Kivalliq Inuit Association as required by Production Lease KVPL08D280, was submitted to the KIA in January 2012.

There was no planned variation from the "*2012 Mine Plan Addendum*".

## SECTION 3 • INSPECTION REPORTS

There was no inspection conducted during the quarter. The formal inspection report has been received from the inspection conducted on March 23 and 24, 2012 by the water inspector of Aboriginal Affairs and Northern Development Canada (see Appendix A1 for the inspection report and Appendix A2 for AEM response).

# SECTION 4 • ENVIRONMENTAL MONITORING

## 4.1 WASTE MANAGEMENT

During the quarter, 21 spills were found on the site. Six (6) spills were reported to the Government of Nunavut:

- A Diesel fuel spill of 410 liters occurred at the old genset caused by a split fuel line who caused a fire and the fuel was spread by flow of the sprinkler system;
- Failed component from haul truck fuel tank spilled 150 L of Diesel;
- Failed component (level float) from the pumping of the sewage treatment plant spilled 24,750 L of sewage liquid;
- Fuel expansion overflowed mill fuel tank spilled 400 L of Diesel;
- Mislabelled valves in the mill spilled 500 L of CIP pulp;
- Falling rocks from pit wall hit haul truck spilled 340 L of hydraulic oil

## 4.2 WATER MANAGEMENT

During the quarter, the total freshwater used was 272,413 $m^3$. The total amount of reclaim water used in the mill was 670,286 $m^3$.

As of May 12, 2012 both water treatment plants were discharging effluent to the environment through the diffuser in Third Portage Lake. (ST-9) start on May 12, 2012 and two result of aluminium from ST-9 of 1.85 mg/L and 1.55 mg/L, exceed the maximum grab concentration of 1.5 mg/L on May 22$^{nd}$ and May 29$^{th}$. The high value of aluminium came from the coagulant, used in the water treatment plant. An action is in place to optimize the addition of coagulant.

An application for effluent discharge diffuser was sent to EC, MMER division in May.

Diversion ditch around tailings engineering was completed. Construction will start in August. CREMP sampling was performed during the quarter.

## 4.3 WILDLIFE MANAGEMENT

Wolverines have been roaming around the camp. The Environment department has been doing regular patrolling of the site and deterring wildlife when observed.

Two (2) Raven nests were found on bulk storage fuel tank in Baker Lake Marshalling area. GN Wildlife officer has removed nests.

Deterrence of migrating waterfowl from the Tailings Storage Facility as occurred. Env dept. does regular patrolling and use different deterrence methods including shotguns/noise shells, noise cannons (propane), Owl, wolf decoys, and use of boat.

Falcons have been seen perching on ledges of the North wall of the North pit. Falcon is nesting on South pit wall with 3 eggs. Six (6) nests and nesting indications were found on quarries along the All Weather Access Road at quarry 2, 3, 7, 18, 19 and 21. A management and protection plan was drafted to avoid these birds from nesting on the pit wall. The Falcon Management Plan was developed by Environment department and provided to management.

### 4.4 PERMITTING

AEM is currently working on a Fresh water use increase; a Discharge of dike seepage and an Extension of the waste dump.

Two applications were submitted to DFO for 2012 fisheries monitoring to support our AEMP and for No Net Loss Planning Habitat Compensation Monitoring. Also AEM received DFO permits/licenses on June 14 for our fisheries work this summer.

The following reports were completed and submitted to regulators:

- NWB Water License annual (2012-2013) water use report and payment was submitted
- the 2012 Mine Plan, a requirement of the Production Lease, was revised to reflect changes in the new Life of Mine and submitted to the KIA
- Greenhouses Gas Report & National Pollutant Release Inventory Report submitted to EC
- A draft of No Net Loss Plan Fishery Habitat, made by Baxter consulting was submitted to DFO
- EEM report was prepared by Azimuth and submitted to EC
- An application for effluent discharge diffuser was sent to EC, MMER division
- Nunavut Water Board Monthly report were sent each month

## Appendix A1

Indian and Northern Affairs Canada | Affaires indiennes et du Nord Canada

# Inspection Report

**License #: 2AM-MEA**

**Inspector: A.Keim**

**CIDMS # 522409**

| | | | |
|---|---|---|---|
| Client | Agnico-Eagle Mines Ltd. | | |
| Mailing Address | #375-555 Burrard Street<br>Two Bentall Centre<br>Vancouver, BC V7X 1M4 | | |
| Inspection site location | Meadowbank Gold Project Mine | | |
| Contact name | Stéphane Robert | Title | Environmental Superintendent |
| Previous Inspection Dates | July 28, 2008 | Aug 9, 2009 | January 19&20, 2010 |
| | July 21&22 2010 | July 5&6 2011 | |
| Inspection start date | March 23& 24 2012 | | |
| Region | Kivalliq Region | | |

Indian and Northern Affairs Canada
Affaires indiennes et du Nord Canada

Aboriginal Affairs and Northern Development Canada
P.O. Box 100
Building 918
Iqaluit, NU, X0A 0H0

Submitted Via E-Mail
Our File: 2AM-MEA0813
Your File:_____
CIDM # 522409

April 13, 2012

Louise Grondin, VP Environment
Agnico-Eagle Mines Ltd.
#375-555 Burrard Street
Two Bentall Centre
Vancouver, BC V7X 1M4
Email: louise.grondin@agnico-eagle.com

**RE: Water License Inspection – Meadowbank Mine Site March 23/24 2012**

The Water Resources Officer (WRO) appreciates the assistance and cooperation provided by Stéphane Robert, Environmental Superintendent and Mr. Robin Allard, Senior Environmental Technician who accompanied the Inspector during the inspection of the Water License terms and conditions.

The following report is based on observations made at the time of the inspection;

- Fuel Tank Farm (Meadowbank Mine , Nunavut)
- Meadowbank Mine Site, Including;
  - Main Building / Accommodation Trains
  - Water Treatment Facilities (potable)
  - Goose Bay Dyke and Pit ( Activity started this date)
  - Portage Pit
  - North Cell Tailings Pond and Recirculation Intake
  - Hazardous Waste Storage
  - Incinerator and Waste Management Area
  - Spill Reports- sites for clean up confirmation (14)

A review of the terms and conditions of the water license was completed following the individual inspections.

**Fuel Tank Farm: (Mine site)**

- Site was found free of spills and contamination
- A new truck off-loading system in place and in use by Tanker during the Inspection. The new system was designed to prevent spills.
- A liner has been placed under the transfer area
- A log was available for review within the Pump station
- Currently there are 4.9 million litres of P-50 of P-50 fuel in the mine site tank farm and an additional 30.3 million litres of P-50 at the Baker Lake tank farm.

**All Weather Road / Quarry Sites:**

- The All-Weather roadway and quarries were not inspected during this Inspection
- The Licensee carried out soil characterization testing of hydrocarbon contaminated soils in Quarry 6 in 2010. From this it was identified that 1700 Cubic meters of contaminated soils could be moved into the waste dump area located within the waste rock pile and an additional 500 Cubic meters could be moved to Quarry 22 for remediation.
- Contaminated soils at Quarry 5 are to be tested in 2012

- The spill that occurred at KM 22 has been cleaned but monitoring and any required – on-going remediation activities will continue for the remainder of 2012.
- The current Quantity of contaminated soils in Quarry 22 is to be determined and provided to the Inspector.

**Meadowbank Mine Site:**

- During period of Inspection it was noted that grey and black water from the mine site continue to be deposited in Teardrop lake (sump 4). Sampling will be conducted at the next Inspection.
- The Licensee started blasting and removal of overburden on the Goose Pit during the period of Inspection. The removal of overburden was on-going during the site visit.
- Potage pit was found active. (4 benches completed) and 17 rock trucks on the road.
- Tailings being deposited in North cell during the Inspection.
- Tailings disposition continues at a rate of approximately 10,000 tonnes per day.
- Noted that since Nov of 2011 There has been no discharge to the environment from any regular mine activity.
- Contractor pad was inspected and found to be in good order with no spills
- Seepage under the East Dyke continues to flow into the Portage Pit. It is unclear if this can be stopped as the level of the flow is below the water line in the lake. Water is currently pumped to attenuation pond at a rate of 1,000 cubic meters per day. The Licensee would like to diverted the water directly back to the lake and an amendment will be submitted to this effect.
- In 2011 the Licensee used 1 million cubic meters of water, The License allows for the use of 700,000. An application for amendment is to be submitted without delay.
- The Mine mill is reclaiming 66% of mine water for recirculation.

**Hazardous Waste and Waste Management:**

- Hazardous waste shipping records were not available for review.
- It was noted that 91 sea cans of Hazardous wastes were shipped off site
- 25 sea can of hazardous wastes originated within the Municipality of Baker Lake.
  - 880 Drums of waste oils and unidentified substances
  - 20 tonnes of batteries
- A clean up of the old dump in Baker lake was also undertaken by the Licensee
  - 354 tonnes of steel scrap and;
  - 94 tonnes of tires were shipped off site
- The Incinerator area was found to be in good working order.
- Four other single stage incinerators were also noted adjacent to the Incinerator building. These are only to be used if or when a failure occurs with the main incinerator.
- Sea-can and shipping containers for hazardous wastes were found to be properly labelled and in good order.

**Spills:**

During the period of inspection the following spill reports were inspected and closed;

| | | | |
|---|---|---|---|
| 1. | 2010-016 | 200 L Hydraulic oil | North Portage Pit |
| 2. | 2010-120 | 210 L Engine Oil | South Portage Pit |
| 3. | 2010-139 | 210 L Engine Oil | South Portage Pit |
| 4. | 2010-166 | 100 L Engine Oil | Cleaned from Sea can |
| 5. | 2010-215 | 150 L Fuel –P-50 | Cleaned from surface and placed in Q 22 |
| 6. | 2010-342 | 125 L Engine Oil | South Portage Pit |
| 7. | 2010-433 | 300 L Hydraulic Oil | South Portage Pit |
| 8. | 2010- 466 | 200 L Fuel –P-50 | South Portage Pit |
| 9. | 2011-283 | 280 L Fuel /H Oil Mix | TCG Laydown – Cont soil placed in Q 22 |
| 10. | 2011-353 | 150 L Used Oil | Soil shipped off site in haz mat shipment 2011 |

| | | | |
|---|---|---|---|
| 11. | 2011-403 | 250 L Hydraulic Oil | Site cleaned and soil taken to Q 22 |
| 12. | 2011-421 | 200 L Fuel P-50 | Site cleaned and soil taken to Q 22 |
| 13. | 2011-436 | 625 L Used Oil | Soil shipped off site in haz mat shipment 201 |
| 14. | 2011-463 | 350 L Hydraulic Oil | Site cleaned and soil taken to Q 22 |

The above noted spill sites were inspected and the Inspector found the spills have been cleaned up to accepted environmental/regulatory standards and the spilled products and contaminated materials have been appropriately disposed of.

An e-mail to the Spill Line recommending closure of the above noted spill reports will be submitted under separate cover.

**Non-Compliance**: Issues identified during the inspection and/or review of relevant material

**Issues where there is a known or suspected violation of a requirement of the Water License or Act;**

- Quarry sites used as lay containment areas for contaminated soils without the use of secondary containment is not recommended for long term storage and remediation of contaminated soils. In the long term the use of treatment technologies and /or shipment off site of hydrocarbon contaminated soils is required for continued compliance with the legislation.
- The total allowable volume of water as authorized under the current license has been exceeded and must be addressed by the licensee either though an amendment application or reduction in the consumption rate. A plan to address this issue is to be developed prior to the period of the next Inspection.

**The licensee continues to work diligently on compliance with the issued license and has undertaken a number of successful proactive remediation and clean-up projects on site and in the community of Baker Lake.**

**Andrew Keim**
**Inspector's Name**

**Inspector's Signature**

Cc:
Phyllis Beaulieu – Manager licensing – Nunavut Water Board

Indian and Northern Affairs Canada
Affaires indiennes et du Nord Canada

Submitted Via E-Mail
Our File: 2AM-MEA0813
Your File:_____
CIDM # 522409

April 17, 2012

Louise Grondin, VP Environment
Agnico-Eagle Mines Ltd.
#375-555 Burrard Street
Two Bentall Centre
Vancouver, BC V7X 1M4
Email: louise.grondin@agnico-eagle.com

**RE: Water License Inspection – Meadowbank Mine Site March 23 and 24th, 2012**

Ms. Grondin,

Please find attached a report on the Water License Inspection conducted March 23rd and 24th , 2012. Included at the end of the report is a record of observations made during the inspection with respect to issues of Non-compliance or Non-conformity with the issued Water License or the Nunavut Water and Nunavut Surface Rights tribunals Act.

The role of Aboriginal Affairs and Northern Development Canada ( AANDC) in issues related to the use of water or deposit of waste in Nunavut is one of compliance monitoring and enforcement.

Our preferred option in all instances is to work with clients by identifying instances of non-compliance, risks to the environment and/ or people, bringing them to the client's attention and ensuring the operator is better able to address these issues and ensure continued compliance with the authorizations and the Act before undertaking more formal enforcement actions.

Should you require more information or clarification please contact the undersigned at the coordinates listed below.

I look forward to working with you and your staff. If you have any questions please do not hesitate to contact our offices here in Iqaluit.

Sincerely,

Andrew Keim
A/Manager Field Operations
Aboriginal Affairs and Northern Development Canada
Box 100 Building 918
Iqaluit, Nunavut XOA OHO
Ph: 1-867-975-4289
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Andrew.Keim@aandc-aadnc.gc.ca

## Appendix A2

June 2, 2012

Andrew Keim
A/Manager Field Operations
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Ph: 1-867-975-4289
Fx: 1-867-979-6445
Andrew.Keim@aandc-aadnc.gc.ca

**RE: Water License Inspection – Meadowbank Mine Site March 23/24 2012 – NWB Lic # 2AM-MEA0813**

Mr. Keim,

Thank you for your inspection report dated April 13, 2012 (received electronically April 30, 2012).

Please note the following Action Plan in response to the concerns raised in your report,

1) **East Dike Seepage –** An amendment request will be submitted to the Nunavut Water Board (NWB) to pump this seepage back to Second Portage Lake prior to contact with the Portage Pit. We are currently preparing the application to amend and anticipate submitting it by the end of July 2012. In the interim we will continue to manage this in the Portage Attenuation Pond.
2) **Hazmat Shipping Information Availability** – It is my understanding that AEM provided you with this documentation as well as information about a CIP spill in the mill in an email from Stephane Robert dated March 24, 2012. In the future this information will be readily available.
3) **Total Allowable Water Use Exceedence** – AEM first reported the increased water usage in our 2010 Annual Report which was submitted to the NWB in March, 2011. We are currently preparing an application to amend and anticipate submitting it by July 1, 2012
4) **Quarry sites 5 and 22 Used as Storage Areas for Hydrocarbon Contaminated Soils without Secondary Containment –** AEM agrees with your assessment that these areas should not be used as long term storage and remediation of contaminated soils. There is app 4,375 M3 of material at Quarry 22 and 1355 M3 of material at Quarry 5. Within these totals there is a considerable volume of course material that does not appear to be contaminated (no staining or odour). Therefore AEM is implementing the following,

    - Initiation of a sampling program at both sites. Samples will be analyzed for F1 to F4 (C10 – C60) petroleum hydrocarbon fractions. Results will be compared with the CCME criteria outlined in the Government of Nunavut's "Environmental Guideline for Contaminated Site Remediation, rev. March, 2009. It is anticipated that app 30% of the material in Quarry 22 and in excess of 70% of the material in Quarry 5 is course grained and uncontaminated.
    - Any material that meets Tier 1 criteria from the Guideline will be reused as NPAG cover material in our Waste Rock Storage Facility or Landfill. Any material that exceeds the criteria will be brought back to Meadowbank and temporarily stored at the Waste Rock Storage Facility. All run off from this site is directed to the Tailings Storage Facility which is not discharged to the environment. In addition to our regular sampling of run off from this location we will add BTEX and Total Oil and Grease to monitor if any of these compounds are discharging to the tailings pond.

**Two Phased Approach**

- **Phase One**, which will take place in 2012, will involve sampling, screening and categorizing the contaminated soils. Course material and material that meets Tier 1 criteria will be removed from both quarry sites and reused at the Meadowbank site in the manner previously stated.
- A revised Landfarm Management Plan (Part F, Item 12) will be prepared and submitted to the NWB for approval. When the Plan is approved by the NWB AEM will use the site as a permanent remediation /storage facility.
- **Phase Two** of the program will involve removal of the remainder of the contaminated soil to a permanent storage/remediation (landfarm) site at Meadowbank. Engineering and location are in the planning stage therefore this phase will be completed in 2013.
- Both sites are being monitored for offsite migration of contaminants via run off water. To date none has been observed. Should the potential for offsite migration be observed immediate containment procedures will be implemented (absorbent booms/pads or an earthen berm).
- After the contaminated material has been removed from these quarries sampling of the substrate will be conducted. Any subsequent contaminated soils will be excavated and taken to the Landfarm. The goal will be to remediate contaminated soils to a level that allows for reuse at the site within the Waste Rock Storage Facility.
- Also, no further contaminated soil will be taken to Quarry 5 and 22 in the future. It will be temporarily stored or reused (if it meets criteria) at the Waste Rock Storage Facility. Final reclamation plans for the Waste Rock Storage Facility include permafrost encapsulation.

I trust this course of action meets with your approval. Should you have any questions or concerns please feel free to contact me at jeffrey.pratt@agnico-eagle.com.

Sincerely,

Jeffrey Pratt
Environmental Coordinator
Agnico-Eagle Mines Ltd.
Meadowbank Division
(867) 793-4610 ext. 6728
jeffrey.pratt@agnico-eagle.com

CC: J. Kevin Buck


MEADOWBANK DIVISION

# Production Lease KVPL08D280

## 2012 Third Quarter Report

October 2012

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## SECTION 1 • SUMMARY OF ACTIVITIES

Agnico-Eagle Mines Limited - Meadowbank Division (AEM) is required under condition 5.10 of Production Lease KVPL08D280 to deliver quarterly reports to the KIA detailing its activities on the leased land. The following sections summarize activities during the third quarter (Q3) from July to September 2012.

### 1.1 HIGHLIGHTS FOR THE QUARTER

- Production of 110,988 oz. of gold
- Mined 9,239,151 tonnes of waste rock and ore

### 1.2 MILL AND POWER PLANT

| Performance Indicators | Current Quarter | YTD Realized |
|---|---|---|
| Tonnes Processed (t) | 1, 002,955 | 2, 791,088 |
| Gold Grade (g/t) | 3,66 | 3.42 |
| Gold Produced (oz.) | 110,988 | 288,792 |

- Some issues were encountered with the water freezing in the drill holes but situation was well managed and is under control. Immediate explosives loading and casing installation were conducted as mitigation measures.
- The mill throughput reached a record of 480 tph for Q3, the budget was set at 450 tph.
- The gold grade and gold production is higher due to less dilution and a higher grade coming from Goose. The gold production improves also because of the increase of the mill throughput.

### 1.3 MINING - ENGINEERING AND PRODUCTION

| Performance Indicators | Current Quarter | YTD Realized |
|---|---|---|
| Waste Rock Production (t) | 7, 040,055 | 20, 144,902 |
| Ore Production (t) | 990,619 | 2, 784,701 |
| Total Blasting (t) | 8, 337,364 | 25, 167,679 |
| Total Drilling (m) | 180,256 | 580,247 |

- Production for Q3 was excellent with 9, 239,151 tons mined versus a budget of 8, 409,318 tons (number in table are total tons moved including re-handling).
- A production record was achieved in September 2012 with 3, 282,251 tons mined.
- Production drilling targets were met for Q3.

- Vault project is ahead of plan with the road construction, pit stripping, and drilling and infrastructure pad construction.
- Goose pit progressed well during the quarter. Till stripping had good progress.
- Portage phase 2 activities have resumed and progress is good.

### 1.4 DIKE CONSTRUCTION ACTIVITIES

The Central Dike construction Stage 1 was completed on September 24th. The rockfill embankment was completed to El. 115m

The diversion ditch around tailing system from NP1 and NP2 has been completed. Ditch is slowly being opened to allow water to flow. Turbidity curtain has been put in place to control TSS entering NP 2 Lake. It is still possible to observe some flow from the lakes. This flow is monitored regularly and the observed effects are minimal.

## SECTION 2 • VARIATION FROM THE MINE PLAN

The "*2012 Mine Plan*" for the Meadowbank Gold Project, prepared for the Kivalliq Inuit Association as required by Production Lease KVPL08D280, was submitted to the KIA in January 2012.

There was no planned variation from the "*2012 Mine Plan Addendum*".

## SECTION 3 • INSPECTION REPORTS

During the current Quarter, seven (7) inspections been held by regulators :

- NIRB
  - Compliance of the project certificate
  - Tank far at Baker Lake
- DFO
- GN
- KIA
- AANDC
- EC

Only one report was submitted to AEM by AANDC in Appendix A1 and AEM response in Appendix A2.

## SECTION 4 • ENVIRONMENTAL MONITORING

**SUMMARY**

Four exceedences during the quarter;

- Water consumption exceeded permitted 700,000 m3
- TSS exceedence Aug 7 from North Cell Diversion Water (Non-contact water) – 60 ppm caused by pumping level too low.
- Two Nitrates exceeding of the maximum average concentration (mean the average concentration of any four consecutively collected samples) occurs in September with results of 22.4 mg/L and 26.1 mg/L.

16 spills were found on the site; four (4) spill was reported to the Government of Nunavut

### 4.1 WASTE MANAGEMENT

During the third quarter, 16 spills were found on the site. Four (4) spills were reported to the Government of Nunavut:

- A used oil tote got puncture by the fork of the moving equipment causing a 500 liters spill.
- A new oil tote got puncture by the fork of the moving equipment causing a 600 liters spill.
- A marine hose had been worn on a rock during fuel transfer at the Baker Lake Marshalling are causing a 200 liters spill.
- A rupture in a junction of the tailing piping system cause a 5000 litters spill of tailing slurry.

A letter been sent to AANDC and KIA regarding the clean-up of Km 23. A total of 350,000 litters of have been treated through the activated carbon filtration system. All the pond are backfilled.

All the contaminated material been removed from Quarry 5.

### 4.2 WATER MANAGEMENT

During the quarter, the total freshwater used was 76,081 $m^3$. The total amount of reclaim water used in the mill was 235,191 $m^3$. We are currently exceeding our annual water consumption water limit of 700,000 $m^3$ with a year-to-date consumption in Q3 of 815,525 $m^3$. During 2011 and up to mid-2012, AEM actively investigated methods to reduce fresh water consumption. This involved an extensive analysis, including pilot test procedures and process flow measurement within our mill which uses 90% of the freshwater at the site.

Cooling water, flocculent mix water, gland water were all considered to be replaced by reclaim water. An Action Plan was put in place and several projects were approved for funding. As a result engineering has been completed for our action plan and by the end of 2012 we anticipate that our freshwater usage will be reduced to below our current water use limit. A letter has been sent to the NWB asking to wait at the end of the year before submitting an amendment. The Board agreed with this approach.

During the 3rd Quarter the effluent continue through the diffuser in the Third Portage Lake (ST-9). Two Nitrates exceeding of the maximum average concentration (mean the average concentration of any four consecutively collected samples) occurs in September with results of 22.4 mg/L and 26.1 mg/L. The level of Nitrate has dropped back to 5.9 mg/L at the end of the month. Investigation indicates that nitrate concentration in pit sumps were high. Reviewing of procedure for emulsion management is ongoing.

A TSS exceedence on August 7th, 2012, from North Cell Diversion Water Ditch (Non-contact water) as occurred. The value of 60 mg/L was caused by a pumping level too low in the ditch. The situation has been corrected and another sample was taken to confirm compliance. The sampling result revealed a value of 1 mg/L.

Groundwater monitoring project is completed. One well was sampled. Another well is damaged and unrecoverable. Two other well couldn't be sampled due to sampling equipment problem. We are waiting for the final report.

Then AANDC received an e-mail notification regarding the on-site fuel containment area water pumping 10 prior to effluent as required.

### 4.3 WILDLIFE MANAGEMENT

Falcon monitoring had been carefully done by environmental technician at Quarry 2, 3, 7, 16, 18, and 21 as well as in the South pit. During the current quarter, the management and protection plan that was drafted in Q2 to avoid birds from nesting on the pit wall been followed. For the falcons that have nested in the portage pit, eggs have hatched with 2 or 3 young. Monitoring of the falcon along the AWPAR reveals that some young hatch form these nests.

AEM attend at a meeting in Arviat to collaborate with Nunavut DOE, Areva and Cameco on caribou collaring monitoring.

The No Net Loss plan discussion been held with the DFO. Their comments on that plan been received on July 16th. Contingency Plan and NNL is under finalization and should be submitted to DFO mid-October.

### 4.4 PERMITTING

AEM is currently doing their study to apply on permitting for:

- A Fresh water use increase amendment
- A Discharge from dike seepage
- An Extension of the waste dump
- The extension of vault pit in Phaser Lake
- The airstrip extension

A letter has been sent to the NWB asking to wait at the end of the year before submitting an amendment. The Board agreed with this approach.

The following reports were completed and submitted to regulators:

- The Wildlife Protection and Response Plan Version 2 has been completed and submitted to the Government of Nunavut.
- NIRB Annual Report was submitted.
- EEM annual report was submitted to Environment Canada on July 1st.
- Registration for fuel tanks at the Baker Lake Marshaling Area with Environment Canada
- Final Oil Pollution Emergency Plan Submitted to Transport Canada on September 6th.
- Incident Report and inventory list of spill equipment at Baker Lake for the Baker Lake Spill have been submitted to Transport Canada on August 28th.
- KIA Lease final report for KVCA09Q09, KVCA08Q10, and KVRW09F05 submitted.
- KIA Q2 Production Report submitted
- KIA Q2 report detailing water usage and fees plus payment submitted.
- Update report to KIA regarding clean-up of KM23.
- Nunavut Water Board Monthly report were sent each month

# Appendix A1

# WATER USE INSPECTION REPORT FORM

| | |
|---|---|
| **Date:** July 27th, 2012 | **Licensee Rep.** Martin Theriault -Senior Technician-<br>Kevin Buck -Environmental Superintendent- |
| **Licensee:** Agnico-Eagle Mines Ltd. (AEM) | **Licence No: 2AM-MEA0815** |

**Comments:** A compliance inspection was conducted on the 26th and 27th of July 2012, at the Meadowbank Gold Project (67° 0' 75"N, 96° 4' 39" W)

**WATER SUPPLY**

| | |
|---|---|
| **Source(s):** Third Portage Lake | **Quantity used: + 100 000 000 m³ per yr** |
| **Owner:/Operator:** Agnico-Eagle Mines Ltd. | |

Indicate: **A** - Acceptable **U** - Unacceptable **NA** - Not Applicable **NI** - Not Inspected

| | | | |
|---|---|---|---|
| **Intake Facilities:** A | **Storage Structure:** A | **Treatment Systems:** A | **Chemical Storage:** A |
| **Flow Meas. Device:** A | **Conveyance Lines:** A | **Pumping Stations:** A | **Screen :** A |

**Comments:**

- Water is pumped from Third Portage Lake to a central holding tank that supplies both the camp facilities and mill
- Potable water is treated with UV, and chlorine
- The chlorine is mixed daily, and all associated safety equipment and training is available to the Water Treatment Plant (WTP) Operators
- Water quality, volume, and WTP standard operating procedures were available for review
- Operator was very knowledgeable
- Facilities were noted to be clean and tidy
- The licensee continues to exceed allowable annual water use

The Inspector requires within 30 days the licensee to submit an amendment to their water license in regards to water use quantity.

SAMPLES:
Collected inside the WTP, at a designated SNP location

**WASTE DISPOSAL**

**Comment:**
The waste stream is managed through a network of segregation station throughout the site. The waste is first sorted by the individuals producing the garbage and then is sent to the appropriate handling area which is placed in final segregation.

- Hazardous materials are containerized and shipped off site by a contractor
- Approved domestic waste is burned in the incinerator and the ash is disposed in the onsite landfill
- General bulk waste is placed in the onsite landfill
- A metal recycling program is in place
- Back haul manifest has been request by the Inspector

The Inspector noted concerns as to the disposition of the incinerator ash in the landfill

**Contaminated Soils**
The Licensee has been experiencing a large volume of spills since 2010. All contaminated soil has been stock piled over the years in various quarries along the Meadowbank road. Previous Inspectors has deemed this location to be unacceptable and to address the issue the Licensee has built a temporary storage site.

During the inspection the Licensee was in the process of moving material to this site. The Inspector requires a timeline as to when all the contaminated soil will be moved to this location and within 30days of this inspection, the licensee shall submit a Plan to the board in regards to remediation and management of all contaminated soils.

The Inspector reminds the Licensee this is an ongoing issue and the Board required action to be taken to manage contaminated soils in 2008 when the license was issued.

**Sewage: Sewage Treatment System: BIODISK**

| | | |
|---|---|---|
| **Natural Water Body: Yes** | **Continuous Discharge** (land or water): **Water** | |
| **Seasonal Discharge:** NA | **Wetlands Treatment: NA** | **Trench:** None |

Indicate: **A** - Acceptable **U** - Unacceptable **NA** - Not Applicable **NI** - Not Inspected

| | | |
|---|---|---|
| **Discharge Quality:** A | **Decant Structure:** A | **Erosion:** A |
| **Discharge Meas. Device:** A | **Dyke Inspection:** NA | **Seepages:** NI |
| **Dams, Dykes:** NI | **Freeboard:** NA | **Spills:** NI |
| **Construction:** A | **O&M Plan:** A | **A&R Plan:** NI |

| | | |
|---|---|---|
| **Discharge Quality:** A | **Decant Structure:** A | **Erosion:** A |
| **Periods of Discharge:** Cont | **Effluent Discharge Rate:** A | |

**Comments:**

- Sewages is collected from the surrounding facilities and brought to the Sewage Treatment Plant (STP), were it is treated and discharged to Teardrop Lake.
- The STP consists of an equalization tank, 3 biodisk tanks, clarifier systems, and UV lamp treatment
- At the time of the inspection two biodisk were online
- Waste water quality, and volume records were available for review
- Plant was clean and well organized

Samples were collected from; STP discharge, the attenuation pond water at the treatment plant during discharge.

**FUEL STORAGE:**
**Owner/Operator:**

Indicate: **A** - Acceptable **U** - Unacceptable **NA** - Not Applicable **NI** - Not Inspected

| | | |
|---|---|---|
| **Berms & Liners: A** | **Water within Berms:** A | **Evidence of Leaks:** NA |
| **Drainage Pipes:** NI | **Pump Station & Catchments Berm:** A | |
| **Pipeline Condition:** A | **Condition of Tanks: NI** | |

**Comments:**
The fuel onsite is stored in large above ground storage tanks, and all refueling station have been fitted with liners to mitigate spills

- Spill kits and other emergency response equipment were located at these sites

**SURVEILLANCE NETWORK PROGRAM (SNP)**

| | | |
|---|---|---|
| **Samples Collected** | **Owner /Operator:** Agnico-Eagle Mines Ltd. | |
| 4 | **AANDC:**Potable, Effluent, Leachate, Treatment (attenuation pond discharge) | |
| **Signs Posted** | **SNP:** Some | **Warning: None** |
| **Records & Reporting:** Annual Report submitted | | |
| **Geotechnical Inspection: 2011 report was submitted** | | |

**Comments:**

- The sampling requirements are handled by the environmental department for Meadowbank Gold Project
- Numerous sampling sites were lacking signage
- Warning signs were not noted at the Water Treatment Facilities nor the Sewage Discharge locations
- The Licensee works toward meeting all sampling requirements found within their license

## Non-Compliance of Act or Licence:

Part E item 3

*The total volume of fresh water for all uses shall not exceed 700,000 cubic metres per year*

**The Inspector requires;**

- Water balance report 2011
- Within 30 days of this inspection; a timeline of completion of relocation of contaminated soils from quarries to temporary storage facilities
- Approved ash disposal plan
- Within 30 days of this inspection; a Plan for remediation and management of contaminated soils shall be submitted to the Board
- Monitoring results of split samples take at the time of the inspection
- Confirmation of application to amendment water use quantities
- Back haul manifest

The Licensee is reminded to submit a copy of the construction summary report to the Board on completion of divergent ditches

Christine Wilson
**Inspector's Name**

Sent by E-mail Original on File
**Inspector's Signature**

Representative Name, Title

Representative Signature

Andrew Keim- A/Manager Field Operations
Phyllis Beaulieu – Manager Licensing- Nunavut Water Board

Contact Information:
Christine Wilson
Resource Management Officer
Aboriginal Affairs and Northern Development Canada
Building 918 – Box 100
Iqaluit, Nunavut X0A 0H0
867-975-4296 Ph
867-979-6445 Fx
Christine.Wilson@aandc.gc.ca

## Appendix A2

AGNICO-EAGLE

August 18, 2012

Christine Wilson
Resource Management Officer
Aboriginal Affairs and Northern Development Canada
Building 918 – Box 100
Iqaluit, Nunavut XOA OHO
Ph: 1-867-975-4296
Fx: 1-867-979-6445
Christine.Wilson@aandc.gc.ca

**RE: Water Use Inspection Report – Meadowbank Mine Site July 27, 2012**

Ms. Wilson,

Thank you for your inspection report dated July 27, 2012 (which was given in person to AEM Senior Technician Martin Theriault on that date). Please note the following in response to the inspector requirements in your report;

**1) "Water Balance Report 2011" –** The 2011 water balance for the Meadowbank project was submitted with our 2011 Annual Report in Appendix B1. This information can be found on the Nunavut Water Board FTP site. ftp://nunavutwaterboard.org/ Username: "public", and the Password: "registry". The water balance will be updated again in 2012 and be available in the third quarter.

**2) "Within 30 days of this inspection; timeline of completion of relocation of contaminated soils from quarries to temporary storage facility" –** All contaminated soil that is stored at quarry 5 will be either transported to our Contaminated Soil Storage/Pilot Bioremediation Site (CSSPB) or directly to our waste rock storage area (uncontaminated course material) before the end of 2012. In addition, we intend to commence sorting/ transporting a portion (due to weather) of the material stored at quarry 22 during 2012. The remaining soil at quarry 22 will be removed after freshet 2013. To date we have removed approximately half the material from Quarry 5. Removal of material will occur within the above stated time frames subject to the availability of equipment as well as weather conditions.

**3) "Approved Ash Disposal Plan" –** Ash samples are collected from the incinerator in accordance with AEM's '*Incinerator Waste Management Plan*' (AEM, May 2009, v2) approved by the NWB. The purpose of sampling the ash is to determine its acceptability for disposal in the landfill, pursuant to the Government of Nunavut (GN) Environmental Guidelines for Industrial Discharge (2002). Results from

this monitoring in 2011 are provided in Table 5.3 of the 2011 Annual Report. This information can be found on the Nunavut Water Board FTP site. ftp://nunavutwaterboard.org/ Username: "public", and the Password: "registry". For your information the analysis results from the 2011 sampling indicate the ash is non-hazardous and meets the GN criteria referred to previously; therefore acceptable for disposal in our landfill.

**4) "Within 30 days of this inspection; a Plan for remediation and management of contaminated soils shall be submitted to the Board" –** AEM will submit a *Contaminated Soil Storage/Pilot Bioremediation Site Plan*. This revised plan will be submitted as a modification/revision and will supersede the current *Landfarm Management Plan (Oct 2008)*. The new plan will be submitted by October 31, 2012.

**5) "Monitoring results of spilt samples taken at time of inspection" –**results will be provided upon reception of the analytical report from our accredited laboratory. AEM would like to request a copy of the results obtained from the AANDC samples taken at the same time.

**6) "Confirmation of application to amendment water used quantities" –** Currently AEM evaluating the timeline and content for the submission of a Water License amendment for two reasons;

a) Currently AEM has retained a consultant (SNC Lavalin) to complete an updated Water Management Plan (including an updated water balance) which is anticipated to be completed by Oct. 1, 2012. This Plan is a requirement for the amendment process.

b) The AEM Process Plant has received approval to undertake a major reclaim water recycling initiative which is scheduled to be completed by the end of 2012. It is estimated that app. 55 M3/hr of water will be re-used which will reduce our freshwater consumption below our licensed limit. Depending on the degree of success of this project it may not be necessary for AEM to amend the current water license for a water use increase. AEM will make a final determination after this important recycling initiative has been evaluated and, if necessary apply to amend the water license before the end of 2012

**7) "Back Haul Manifest"** – The 2011 Back Haul Manifest for the Meadowbank project was submitted with our 2011 Annual Report in Appendix D1. This information can be found on the Nunavut Water Board FTP site. I have attached a copy of the Back Haul Manifest for your convenience.

I trust this meets with your requirements. Should you have any questions or concerns please feel free to contact me at jeffrey.pratt@agnico-eagle.com.

Sincerely,

Jeffrey Pratt
Environmental Coordinator
Agnico-Eagle Mines Ltd.
Meadowbank Division
(867) 793-4610 ext. 6728
jeffrey.pratt@agnico-eagle.com

CC: Kevin Buck –AEM
Stephane Robert – AEM
Andrew Keim – AANDC

MEADOWBANK DIVISION

# Production Lease KVPL08D280

## 2012 Fourth Quarter Report

January 2013

# TABLE OF CONTENTS

# SECTION 1 • SUMMARY OF ACTIVITIES

Agnico-Eagle Mines Limited - Meadowbank Division (AEM) is required under condition 5.10 of Production Lease KVPL08D280 to deliver quarterly reports to the KIA detailing its activities on the leased land. The following sections summarize activities during the fourth quarter (Q4) from October to December 2012.

## 1.1 HIGHLIGHTS FOR THE QUARTER

- Production of 77,238 oz. of gold;
- Mined 8,975,428 tonnes of waste rock, ore, overburden and re-handling.

## 1.2 MILL AND POWER PLANT

| Performance Indicators | Current Quarter | YTD Realized |
|---|---|---|
| Tonnes Processed (t) | 1, 029,823 | 3, 820,911 |
| Gold Grade (g/t) | 2.50 | 3.18 |
| Gold Produced (oz.) | 77,238 | 366, 030 |

- Fewer ounces produced because we processed low grade and marginal ore instead of high-grade ore. Processed 346,874 tonnes of marginal ore and 273,874 tonnes of low grade stockpile.
- The gold grade and gold production is lower due to processing more marginal and low grade than budgeted. We produced 15,147 ounces less.
- Mill availability is continuing to be high even if we started the coldest month of the year. The availability of the mill is averaging 94.5 % for Q4.
- The mill throughput reached an average of 493 tph for Q4, the budget was set at 450 tph.

## 1.3 MINING - ENGINEERING AND PRODUCTION

| Performance Indicators | Current Quarter | YTD Realized |
|---|---|---|
| Overburden Production (t) | 264, 030 | 2, 700,002 |
| Waste Rock Production (t) | 7, 539,988 | 27, 684,890 |
| Re-handling (t) | 742, 982 | 1, 289,306 |
| Ore Production (t) | 428,428 | 3, 213,129 |
| Total Blasting (t) | 8, 766,306 | 33, 933,985 |
| Total Drilling (m) | 234,493 | 814,740 |

- Production for Q4 was excellent with 8,975,428 tons mined versus a budget of 7,791,956 tons

- Work at Vault is ahead of plan, East and West access roads to Vault dyke are now completed, and road access to explosive magazines pad is also completed as the pads themselves and dewatering roads have been built to the shore of the lakes. The Vault pre-stripping is now based on a new design to allow the establishment of a sump to control water at spring and preparation of some ore to be moved in 2013.
- New strategy of development of the pre-stripping at Vault has been put in place to ensure the necessary feed of NPAG to the different construction projects in 2013 and give the opportunity to prepare the Vault bulk sample schedule next spring.
- Portage phase 2 activities have resumed and progressing well.

### 1.4 DIKE CONSTRUCTION ACTIVITIES

Construction of the non-contact diversion ditches around waste rock facility and North Cell Tailings Storage Facility was completed. North Cell non-contact pond being discharge periodically to keep water level low.

Construction of Central dike has been completed to the elevation of 115 m.

## SECTION 2 • VARIATION FROM THE MINE PLAN

The "*2012 Mine Plan*" for the Meadowbank Gold Project, prepared for the Kivalliq Inuit Association as required by Production Lease KVPL08D280, was submitted to the KIA in January 2012.

## SECTION 3 • INSPECTION REPORTS

During the current Quarter, one (1) inspection been held by regulators:

- KIA
  - Performed audit on AEM Permits and Licenses

An action plan will be prepare at the end of February and send to KIA.

# SECTION 4 • ENVIRONMENTAL MONITORING

**SUMMARY**

One exceedance during the quarter;

- Water consumption exceeded permitted 700,000 $m^3$

41 spills were found on the site; five (5) spills was reported to the Government of Nunavut

## 4.1 WASTE MANAGEMENT

During the fourth quarter, 41 spills were found on the site. Five (5) spills were reported to the Government of Nunavut:

- A STP effluent pipe obstruction caused a sewage spill of 7.8 $m^3$ by the overflow on top of tank;
- A power outage caused a slurry's mill spill of 2,500 L;
- A power outage caused a spill of 500 L stripping solution from the mill;
- An unplugged hydraulic hose on the blast pattern no. 5081-273 caused a hydraulic oil spill of 150 L hydraulic;
- A punctured tote at the mill caused a 100 L Calcium Chloride spill.

Meadowbank Environmental Committee has been distributed reusable mugs to all employees and Styrofoam cups were removed from the site.

## 4.2 WATER MANAGEMENT

During the quarter, the total freshwater used was 228,508 $m^3$. The total amount of reclaim water used in the mill was 795,447 $m^3$. We are currently exceeding our annual water consumption water limit of 700,000 $m^3$ with a year-to-date consumption in Q4 of 1, 044,674 $m^3$.

In the summer 2012, engineering was completed for our action plan to decrease fresh water consumption. We finalized the implementation of our action plan in mid-December 2012. Since the summer, 2012, we have increased our recirculation of reclaim water by 80% (72% in the second quarter of 2012) which has reduced our fresh water consumption by almost 40 $m^3$/hr (which represents a reduction of 350,000 $m^3$ per year). The ratio of water used ($m^3$) per tonne milled decreased significantly, by 24 $m^3$/tonne (46 $m^3$/tonne (Q3 2010) to 22 $m^3$/tonne in Q4 2012).

With the completion of this action plan, AEM should be able to achieve our current limit of 700,000 m3 /year in 2013 and no amendment for the increase of the fresh water use should

be needed. We will continue during the year to investigate other measures to reduce our water consumption of fresh water. If the situation changes during the year, AEM will advise the Nunavut Water Board accordingly. In mid-December, a new cooling system using reclaim water for the SAG mill was installed and put into operation.

During the 4th Quarter the effluent continue through the diffuser in the Third Portage Lake (ST-9) from November 1st to November 12th, 2012.

### 4.3 WILDLIFE MANAGEMENT

Communication with Government of Nunavut Wildlife Officer to ensure proper road security during the caribou migration and keep them informed on the Wildlife presence within Meadowbank vicinity.

In October and November, 10,000 caribou migrated across AWPR. The road was closed few times during the caribou migration.

Deterrence practices on wolverines were effectives and site monitoring is still ongoing.

A young wolverine was struck by a tanker on December 31st. It ran towards side of tanker near WTP. The GN Wildlife officer was notified.

Contingency Plan and No Net Loss has been finalized and was submitted to DFO mid-October. DFO worked on the DRAFT revised Authorization, and Vault Authorization. The final version should be receiving in January.

### ~~4.4~~ PERMITTING

AEM received from Environment Canada a compliance order dated October 11th for the Baker Lake Fuel Storage Facility regarding registration #'s not posted, no monthly visual inspection form, secondary containment at ship to shore fuel transfer area, single walled pipe underground outside secondary containment. Items have been addressed. First compliance date is November 1st for confirmation that registration #'s posted at site and monthly visual inspection form completed and program implemented (complete). Subsequent compliance dates (December 15th) plans for implementation of secondary containment at ship to shore fuel transfer area and plan to permanently withdraw single walled piping outside secondary containment. AEM sent response to Environment Canada on November 19th regarding the compliance order issue in October. You will find in Appendix A1 the Compliance Order form Environment Canada and the AEM response to the compliance order in Appendix A2.

AEM Response letter to September 12th letter from AANDC Inspector on October 22nd - included submission 2011 Water balance, clean-up plan for Quarry 22, water usage update, Land farm plan as requested. AANDC Inspector reply to AEM response letter from October

22nd on October 23rd with concerns related to Land farm plan, water use and Quarry 22 clean up. Correspondence sent to AANDC Inspector regarding clean-up of Quarry 22 on October 29th.

The Nunavut Impact Review Board's 2011-2012 Annual Monitoring Report for Meadowbank Gold Project and Board's Recommendations were received on December 7th. Environment department are responding to recommendations internally and will submit a response by January 7th, 2013.

The following reports were completed and submitted to regulators:

- Environment Canada Q3 MMER completed;
- KIA Q3 report detailing water usage and fees plus payment submitted;
- KIA Q3 Production Report submitted;
- Oil Pollution Emergency Declaration submitted to Transport Canada on November 28th;
- The wolverine mortality report was sent to Government of Nunavut on December 31st;
- Revised Landfarm Plan submitted to NWB on October 22nd;
- Nunavut Water Board Monthly reports were sent each month.

# Appendix A1

Environment Canada Environnement Canada

ENFORCEMENT BRANCH
Environmental Enforcement

DIRECTION GÉNÉRALE DE L'APPLICATION DE LA LOI
Application de la loi en environnement

# ENVIRONMENTAL PROTECTION COMPLIANCE ORDER AUTHORITY

This Environmental Protection Compliance Order is issued under section 235 of the *Canadian Environmental Protection Act, 1999 (CEPA,1999)*.

## NEMISIS FILE NUMBER: 4408-2012-07-31-002

## NAME OF PERSONS TO WHOM ORDER IS DIRECTED

This Order is directed to the following persons:

Agnico-Eagle Mines Ltd.
Meadowbank Division
93, Rue Arseneault, Bureau 202,
Val-d'or, Quebec, JP90E9
Tel: 819 759-3555

Kevin Buck
Environment Superintendant
Agnico-Eagle Mines Ltd.
Meadowbank Division
PO Box 540
Baker Lake NU X0C 0A0
819-759-3555 x6838
kevin.buck@agnico-eagle.com

Stephane Robert
Manager Regulatory Affairs Nunavut
Agnico-Eagle Mines Ltd.
93, Rue Arsenault, Bureau 202
Val-d'or, Quebec, JP90E9
stephane.robert@agnico-eagle.com

The persons listed above are referred to as "you" in this document.

## PROVISION OF ACT OR REGULATIONS THAT IS ALLEGED TO HAVE BEEN OR WILL BE CONTRAVENED

I have reasonable grounds to believe that the following provisions of *CEPA, 1999 and* the *Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulations* have been contravened and are continuing to be contravened:

***Storage Tanks Systems for the Storage of Petroleum Products and Allied Petroleum Products Regulations***

**10.** (1) Subject to subsection (2), the owner or operator of a storage tank system that has single-walled underground piping, other than one described in subsection 3(3), that is installed before the coming into force of these Regulations must, within four years after the day on which these Regulations come into force,

> (a) temporarily withdraw that system from service in accordance with section 43, permanently withdraw that piping from service in accordance with section 44, remove it in accordance with section 45 and replace it in accordance with section 14; or
>
> (b) permanently withdraw that system from service in accordance with section 44, and
>
> > (ii) in the case of a storage tank system that has field-erected aboveground tanks or vertically-oriented underground tanks, remove all piping and other components that are outside the tanks in accordance with section 45.

(2) The owner or operator is not required to comply with subsection (1) if, on the day on which these Regulations come into force, that piping has

> (a) in the case of steel piping, cathodic protection and leak detection, groundwater monitoring wells, vapour monitoring wells, single vertical check valves or mechanical line leak detection devices; and
>
> (b) in the case of non-metallic or copper piping, leak detection, groundwater monitoring wells, vapour monitoring wells, single vertical check valves or mechanical line leak detection devices.

**14.** (1) The owner or operator of a storage tank system that installs the system or any component of the system on or after the day on which these Regulations come into force must ensure that the system or the component conforms to the applicable requirements set out in the following provisions of the CCME Code of Practice:

(*a*) Part 3, subject to the following:

> (i) excluding Section 3.2, Clause 3.3.1(1)(c), Article 3.3.2, Clause 3.4.1(1)(c), Article 3.4.3, Clauses 3.5.1(1)(a) and 3.6.1(1)(l), Section 3.7, Clause 3.9.2(2)(a), Articles 3.9.4 and 3.10.1, and
>
> (ii) in Subclause 3.9.2(1)(a)(ii), the reference to "Aboveground Secondary Containment Tanks" must be read as a reference to "Secondary Containments for Aboveground Flammable and Combustible Liquid Storage Tanks";

**Part 3, Section 3.3.1, Field-erected Storage Tank Systems, of the CCME Code of Practice provides the following applicable requirements:**

3.3.1(1) A field-erected *storage tank system* shall:

(a) have *corrosion protection* in conformance with Section 3.8;

(b) have a *secondary containment* system in conformance with Section 3.9

~~(c) have *leak detection* in conformance with Part 6~~ **[clause 3.3.1(1)(c) is excluded]**

(d) have *containment sumps*, as applicable;

(e) be provided with overfill protection;

(i) for pipeline delivery, in the form of an alarm system that will automatically alert pipeline or terminal personnel so that action can be taken to prevent the *storage tank* from being overfilled;

(ii) for truck, rail, ship or barge deliver, in the form of a visual and audible alarm system for detecting a high level that will activate and alert personnel in enough time to terminate the flow of the product to the storage tank and prevent an overfill (see Appendix B, note B.3.3.1(1)(e)(ii));

or

(iii) in conformance with API RP 2350-96, "Overfill Protection for Storage Tanks in Petroleum Facilities": and

(f) have piping in conformance with Part 5, as applicable

**Appendix B, note B.3.3.1(1)(e)(ii) of the CCME Code of Practice, referred to in paragraph (e) above, provides as follows:**

(e)(ii) The overfill alarm system required shall be in addition to the alarm or gauging system that is routinely used. This system shall be used as a back-up system when the primary means of detecting a high level has failed.

(7) The owner or operator of a storage tank system must comply with the applicable requirements before any petroleum products or allied petroleum products are first transferred into that system.

**15.** (1) The owner or operator of a storage tank system must ensure that petroleum product and allied petroleum product transfer areas are designed to contain spills that occur during the transfer process.

(2) Subsection (1) applies to storage tank systems installed before the coming into force of these Regulations four years after the day on which these Regulations come into force

**23.** (1) The owner or operator of a storage tank system installed before the coming into force of these Regulations that has aboveground piping without secondary containment must visually inspect the walls of that piping within two years after the day on which these Regulations come into force to determine if the piping is leaking and after that inspection they must

(*a*) immediately

(i) use continuous external aboveground pipe leak monitoring for that piping, or
(ii) implement a corrosion analysis program for that piping, developed and conducted by a corrosion expert, that includes at least an annual inspection;

(*b*) once each month, visually inspect that piping; or

(*c*) annually perform a piping precision leak detection test of that piping in accordance with section 24.

(2) The continuous external aboveground pipe leak monitoring must

(*a*) be carried out using a sensor cable system designed either for installation on the bottom of the piping or for placement on the ground underneath the piping;

(*b*) be capable of detecting a leak rate of at least 0.38 L/h within 96 hours after the onset of the leak at the lowest expected soil temperature at the site where the sensor cable system is installed;

(*c*) be capable of locating the leak with an accuracy of ± 1 m;

(*d*) be capable of continuously monitoring sensor cable system integrity; and

(*e*) have an alarm located at a place of work where it can be readily heard and seen.

**27.** The owner or operator of a storage tank system that has tested or inspected any component of the system for leaks under sections 16 to 26 must keep a record that includes the following information:

(*a*) the test or inspection date;

(*b*) the storage tank system identification number;

(*c*) the allied petroleum product or the type of petroleum product stored in the system;

(*d*) the test or inspection results;

(*e*) the testing method;

(*f*) the name and address of the individual and, if applicable, the company that performed the test or inspection; and

(*g*) the components of the corrosion analysis program referred to in subparagraph 23(1)(*a*)(ii). SOR/2012-99, s. 24.

**28.** (4) The owner or operator must display the identification number in a readily visible location on or near the storage tank system for which the number was issued.

## RELEVANT FACTS

I, Ian Rumbolt, an Enforcement Officer (EO) employed by Environment Canada, and Tim Morton an Enforcement Officer (EO) employed by Environment Canada did on July 26, 2012 conduct an on-site inspection of the Agnico-Eagle Mines Ltd.(AEM) Bulk Fuel Storage Facility located in Baker Lake, NU

I have reasonable grounds to believe that these are the relevant facts surrounding the alleged contravention:

1. THAT the AEM Bulk Fuel Storage Facility located at 64°18'36"N and longitude 95° 58'04"W in Baker Lake, NU is owned, operated and maintained by the AEM.

2. THAT our inspection determined that AEM Bulk Fuel Storage Facility is located on Commissioners Lands and contains a petroleum product.

3. THAT the *Canadian Environmental Protection Act,1999* (CEPA) defines "federal land" as "land, including any water, that belongs to Her Majesty in the right of Canada, or that Her Majesty in right of Canada has the right to dispose of, and the air and all layers of the atmosphere above the subsurface below that land."

4. THAT section 49 of the *Nunavut Act* provides that lands vested in Her Majesty in right of Canada include public land, the admin and control of which has been transferred to the Commissioner. "Lands vested in Her Majesty in right of Canada" has the same meaning as "land that belongs to Her Majesty in right of Canada". Therefore, federal lands regulated under CEPA 1999 include public lands under the admin and control of the Commissioner.

5. THAT the inspection determined that the AEM Bulk Fuel Storage Facility contains fuel storage systems capable of holding fuel in quantities of 2500L or more that were installed before the entry into force of the Regulations (i.e. June 12, 2008), as well as fuel storage systems that were installed after the Regulations came into force. These fuel storage systems are located on federal land and are therefore subject to regulation by the *Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulations.*

6. THAT the inspection revealed that there is one operating storage tank system (diesel fuel) located in the AEM Bulk Fuel Storage Facility.

7. THAT the inspection determined that the fuel storage tank system located on site was in operation but has not been accurately identified pursuant to section 28 of the *Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulations* in that no identification number had been obtained and posted at the time of the inspection. Since the inspection, AEM has identified the system in the FIRSTS on August 28, 2012 and obtained an Environment Canada Identification number EC00025772 for the bulk storage facility.

8. THAT the inspection revealed that there are sections of single-walled piping which are buried and/or go underground that are in use in contravention of Section 10(1)a of the

*Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulations.*

9. THAT the inspection revealed that there are sections of single-walled piping located within the tank farm and sections of single-walled piping running toward the laydown area which are without secondary containment, that while in use have not been subjected to routine visual inspection, monitoring or leak detection which is a contravention of Section 23 of the *Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulations*
10. THAT routine visual inspections were being completed on most of the above ground piping, however, records could not be produced at the time of the inspection as per Section 27 of the *Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulations.*.

11. THAT the design of the transfer area is insufficient to contain spills that occur during the transfer process, which is in contravention of section 15 of the *Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulations*

12. THAT at the time of the inspection an Emergency Plan was not readily available for review; however AEM provided the emergency plan on August 24, 2012.

Therefore, based upon the aforementioned facts, I have reasonable grounds to believe:

That AEM did not withdraw and remove single walled underground piping, did fail to have a sufficient product transfer area designed to contain spills that occur during the transfer process, have not visibly displayed the identification number at a readily visible location on or near the storage tank system, and did fail to keep records for visual inspections of the single walled piping, all contrary to the aforementioned provisions of the *Storage tank Systems for Petroleum Products and Allied Products Regulations and CEPA 1999*, and that these provisions continue to be contravened.

## MEASURES TO BE TAKEN

I direct you to take the following measures to comply with the *Storage Tank Systems for Petroleum Products and Allied Products Regulations* made pursuant to CEPA 1999

**Single Walled Underground Piping**

1) On or before December 15, 2012 AEM is to provide Environment Canada a plan that identifies timelines and activities to carry out the permanent withdrawal, removal and replacement of the single walled underground piping associated with the system identified as EC00025772 in accordance with Section 10(1)(a) (removal) and Section 14 (installation) and Section 44 (permanent withdrawal) of the Regulations. The approved plan for the permanent withdrawal, removal, and replacement of single walled underground piping must be completed before any future petroleum products are transferred into the storage tank system.

**Transfer Area Containment**

2) On or by December 15, 2012 you must design and provide a schedule to implement a sufficient product transfer area designed to contain spills that occur during the transfer process as

required by 15(1) of the *Storage tank Systems for Petroleum Products and Allied Products Regulations*

**Display EC Identification Number**

3) On or by November 1, 2012 you must provide confirmation to Environment Canada that the identification number EC00025772 is displayed in a readily visible location at or near the storage tank system in accordance to subsection 28(4) of the *Storage Tank Systems for Petroleum Products and Allied Products Regulations*

**Monthly Visual Checklist**

4) On or by November 1, 2012, you must prepare and implement a leak detection method for all single walled aboveground piping as required by section 23 of the of the *Storage Tank Systems for Petroleum Products and Allied Products Regulations.* The leak detection must consist of monthly visual inspections, continuous monitoring or annual testing. Information on routine leak detection must be documented in records of the applicable required items set out in Section 27 of the *Storage Tank Systems for Petroleum Products and Allied Products Regulations*

5) On or by March 15, 2013, provide a report to Environment Canada that includes:

a) progress on the plan to address single walled underground piping
b) confirmation of the schedule for ensuring that the design of the product transfer area is sufficient to contain spills prior to the next fuel transfer into the facility
c) Provide leak detection inspection records as required by section 27 of the *Storage Tank Systems for Petroleum Products and Allied Products Regulations for the period* starting November 5, 2012 until this report is submitted.

## Submission of Reports and Documents

Reports and documents are to be submitted in writing to the following address:

Environment Canada

PO Box 1870, Qimugjuk Building

Iqaluit NU X0A 0H0

Attention: Ian Rumbolt

## DURATION OF ORDER

This order is effective until the date on which the above identified measures are met, with acknowledgement from Environment Canada, or until April 9th, 2013.

## REVIEW BY CHIEF REVIEW OFFICER

You may request the Chief Review Officer to review this order within 30 days from the day you received a copy of this order by notice in writing to:

Alan Pope

Chief Review Officer
Environmental Protection Review Canada
240 Sparks Street
1st floor West Tower
Ottawa, Ontario K1A 1A1

Compliance with this EPCO is mandatory, whether you request a review or not.

This Order is issued on October 11, 2012 at the City of Iqaluit in the Territory of Nunavut by:

**Ian Rumbolt**
**Enforcement Officer**
**Northern District**
**Prairie and Northern Region**
**Enforcement Branch**
**Environment Canada**
**PO Box 1870**
**Qimugjuk Building**
**Iqaluit, Nunavut X0A 0H0**
**Phone (867) 975-4637**
**Fax (867) 975-4594**
Ian.Rumbolt@ec.gc.ca

cc.
Craig Broome
Operations Manager
Enviroment al Enforcement Directorate
Prairie and Northern Region
Enforcement Branch
Yellowknfie, NT

Michael Bell
Regional Director
Environmental Enforcement Directorate
Prairie and Northern Region
Enforcement Branch
Environment Canada
Edmonton AB

Heather McCready
Manager of Operations Support
Environmental Enforcement Directorate
Enforcement Branch
Environment Canada
Gatineau, Québec

# *IMPORTANT*

## COMPLIANCE AND PENALTIES

Section 238 of the *Canadian Environmental Protection Act,* 1999 requires you to comply with this order. Failure to comply with the Order is an offence under paragraph 272(1)(*a*) of that Act.

Subsection 272(2) of the *Canadian Environmental Protection Act,* 1999 provides the following penalties for contravening this order:

(a) on conviction on indictment, a fine not exceeding $1,000,000 or imprisonment for a term not exceeding three years, or both; and

(b) on summary conviction, a fine not exceeding $300,000 or imprisonment for a term not exceeding six month, or both.

If you fail to take any of the measures specified in this order, an enforcement officer may take those measures or have them taken. An enforcement officer or other person authorized or required to take those measures may enter and have access to any place or property and may do any reasonable things that may be necessary in the circumstances.

Her Majesty in right of Canada may recover the costs and expenses of and incidental to any of the measures taken to ensure compliance with this order by suing for such costs and expenses within five years from the date on which the events occur or become evident to the Minister of the Environment, whichever is later.

The issuance of and compliance with this order is not a bar to any proceedings against you under this or any other act in relation to the alleged contravention.

Environment Canada may conduct future inspections to verify compliance with this order.

# Appendix A2

November 28, 2012

Ian Rumbolt
Enforcement Officer
Northern District; Prairie and Northern Region
Enforcement Branch; Environment Canada
PO Box 1870
Qimugjuk Building
Iqualuit, Nunavut X0A 0H0
Phone (867) 975-4637
Fax (867) 975-4594
Ian.Rumbolt@ec.gc.ca

**RE: E.C. ENVIRONMENTAL PROTECTION COMPLIANCE ORDER AUTHORITY.**
**NEMSIS FILE NUMBER: 4408-2012-07-31-002**

Mr. Rumbolt,

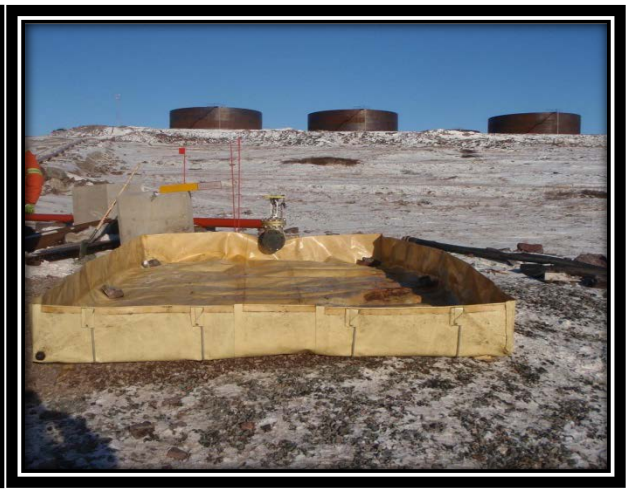
As you are aware I previously sent you correspondence, dated November 19, 2012, regarding compliance with the Environmental Compliance Order referenced above. Please accept this as an update to my previous letter.

## 1. SINGLE WALLED UNDERGROUND PIPING

The single walled pipes outside of secondary containment have been removed from underground use and are now above ground to allow for visual inspection of these pipes. It is our belief these actions bring us into compliance, and that this system can now have petroleum products transferred into the storage tank system in 2013.

## 2. TRANSFER AREA CONTAINMENT

Secondary containment for the transfer area has been installed. Need to refer to the email he sent acknowledging that this meets the regulations – you should have a copy.



## 3. DISPLAY EC IDENTIFICATION NUMBER

The EC identification signs have been installed in two locations. The first one is at the intake i.e. where the boat is connecting when delivering the fuel. The second one is at the loading area. As per your email received by Kevin Buck on November 1, 2012, this meets the requirement of the regulations.



**Regional Office:**
93, Rue Arseneault
Bureau 202
Val d'Or, Quebec J9P 0E9
Tel: 819-825-3744

**Baker Lake Office:**
P.O. Box 540
Baker Lake, Nunavut X0C 0A0
Tel: 867-793-4610 Fax: 867-793-4611

## 4. MONTHLY VISUAL CHECKLIST

As mentioned in section 1. SINGLE WALLED UNDERGROUND PIPING, all transfer pipes outside of secondary containment structures at the site have been exposed so that the monthly visual inspections can be done. The monthly inspection will be under Site Services responsibilities and consist of a two part inspection. The first is on a monthly basis and consists of a complete installation visual inspection of the fuel farm in Baker Lake. AEM is considering an Annual Leak detection test. AEM will be engaging a person with expertise in corrosion protection to prepare a corrosion protection program for single walled piping outside of secondary containment in 2013. I have attached a copy of the monthly visual checklist. You advised our Environment Superintendent, Kevin Buck in an email dated November 8, 2012 that the form meets the requirements of the Regulations.

## 5. REPORT TO EC BEFORE MARCH 15TH, 2012

A full management plan regarding the following points will be provided to ENVIRONMENT CANADA prior to March 15th.

- progress on the plan to address single walled underground piping
- confirmation of the schedule for ensuring that the design of the product transfer area is sufficient to contain spills prior to the next fuel transfer into the facility
- Provide leak detection inspection records as required by section 27 of the *Storage Tank Systems for Petroleum Products and Allied Products Regulations for the period* starting November 5, 2012 until this report is submitted

I trust this meets with your requirements. Should you have any questions or concerns please feel free to contact me at jeffrey.pratt@agnico-eagle.com.

Sincerely,

Jeffrey Pratt
Environmental Coordinator
Agnico-Eagle Mines Ltd.
Meadowbank Division
(867) 793-4610 ext. 6728
jeffrey.pratt@agnico-eagle.com

CC: Kevin Buck –AEM
Stephane Robert – AEM