

# **Pペーー「T ムーム」 もつらいらい Kivalliq Inuit Association**

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April 22, 2015

Phyllis Beaulieu, Manager of Licensing, Nunavut Water Board, Gjoa Haven, NU X0E 1J0

Re: Agnico Eagle Mines, Meadowbank Project

The following comments are in response to the letter from Karen Costello of Aboriginal Affairs and Northern Development Canada (AANDC) dated April 8<sup>th</sup>, addressed to the Nunavut Water Board regarding the holding of security to be posted by Agnico Eagle Mines (AEM) for the Meadowbank Project.

Ms Costello says that AANDC has "some awareness of negotiations between the Kivalliq Inuit Association and AEM" regarding security. In fact, AANDC has been a full participant in these discussions and has been actively engaged in meetings, has engaged in correspondence and drafting of a proposed security management agreement amongst AANDC, AEM and KIA. We have been attempting, for many years, to come to mutually acceptable arrangements for the holding of security. Unfortunately, we have not yet been able to achieve that goal and, at this time, a security management agreement amongst the parties does not appear achievable.

KIA, as the fee simple owner of the lands upon which the Meadowbank Project is situated, does require AEM to post security under its Production Lease. The security which is of relevance to the NWB and AANDC is the Reclamation Security Deposit.

The following are provisions in KIA's standard form of Production Lease:

 AEM must deposit a Reclamation Security Deposit with KIA. The amount of the Reclamation Security Deposit is established based on AEM's Reclamation Plan.



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- KIA may access the Reclamation Security Deposit if AEM breaches any material term, covenant or condition of the Lease pertaining to its obligations relating to the environment or the abandonment or reclamation of the Meadowbank Project, and fails to remedy such breach within the time permitted under the Lease.
- If KIA draws on the Reclamation Security Deposit, AEM must, within five business days of receipt of notice given by KIA, replenish the Reclamation Security Deposit by the amount that was drawn on by KIA.
- If at any time the Reclamation Plan identifies an increase in costs for reclamation of the Project, AEM must, within five business days' receipt of written notice from KIA, increase the Reclamation Security Deposit by the amount of such increase in costs.
- The Reclamation Security Deposit must be in a form and content acceptable to KIA. In the normal course, KIA would require a Letter of Credit, which will ensure it may be accessed by KIA regardless of AEM's financial circumstances.
- Upon receipt of confirmation from all regulatory bodies governing the Meadowbank Project that AEM has fulfilled all Project closure and reclamation requirements, KIA will release the Reclamation Security Deposit to AEM.

Based on KIA's assessment of the Meadowbank Project, KIA believes that total security should be \$86,519,614.00. Of that amount, KIA will require that the sum of \$78,834,710.00 be lodged with it as the Reclamation Security Deposit under the Production Lease. KIA agrees to provide notice to the NWB when it receives the Reclamation Security and further notice when and if the Security Deposit is accessed, reduced or increased.

In her letter, Ms Costello indicates that AANDC wants it to be established that "private security [is] available for the same purpose as license security under section 76(2)(b) of the Act" and that "the land owner intends to use the security for the same purposes as license security under section 76(2)(b) of the Act." However, it would never be the case that KIA would hold monies under



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that provision, which requires that security be held "to reimburse Her Majesty in Right of Canada, fully or partially, for reasonable costs incurred by Her

Majesty in right of Canada under subsection 87(4) or, subject to subsection (3), under subsection 89(1)."

Further, Ms Costello suggests that the land owner must accept responsibility "to ensure that the purposes of the Act are carried out, including responding to an inspector's direction under section 87 of the Act". Again, it would not be possible or appropriate for KIA to assume responsibilities which are assigned by legislation to another party.

While KIA is concerned that there should not be over-bonding, KIA is required to hold adequate security to protect its interests and intends to do so in accordance with the above-noted provisions of the Production Lease. It would be inappropriate for KIA to reduce its Reclamation Security in order to solve the over-bonding issue, which is not a problem of our making. KIA had initially proposed a 50/50 split of the security but, given that a security management agreement has not been achieved, this proposal is no longer an option for KIA. The NWB can be confident that KIA, as a responsible landowner, would take action in accordance with its rights under the Production Lease to ensure that Inuit Owned Land is protected and reclamation is undertaken, should AEM default in its obligations under the Production Lease.

In summary, KIA intends to hold adequate Reclamation Security in accordance with the terms of the Production Lease and, if necessary, will apply the Reclamation Security Deposit to ensure the protection of the environment and completion of AEM's obligations under its Reclamation Plan.

We would be pleased to further discuss this issue with the NWB, AANDC and AEM.

Sincerely,

Director of Lands