

**PRODUCTION LEASE
FOR INUIT OWNED LANDS**

Lease # KVPL08D280

THIS LEASE made the ____ day of July, 2008.

BETWEEN:

KIVALLIQ INUIT ASSOCIATION,
an association incorporated under the
Societies Act of Nunavut and having a registered office
in the Hamlet of Rankin Inlet, Nunavut
(hereinafter called "KIA")

OF THE FIRST PART;

- and -

AGNICO-EAGLE MINES LIMITED,
a company incorporated under the laws of
the Province of Ontario;
(hereinafter called "AEM")

OF THE SECOND PART

In consideration of the rents, covenants, agreements and conditions contained herein, the parties agree as follows:

1.00 INTERPRETATION

1.01 Definitions

In this Lease:

"Anniversary Date" means the annual anniversary of the Effective Date.

"Archaeological Site" means a site or work of archaeological, ethnographical or historical importance, interest or significance or a place where an archaeological specimen of importance, interest or significance is found and, for the purposes of this Lease, shall include any burial site.

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"Best Practices" means a best practicable technology or best management practice which has been recognized by agencies responsible for environmental protection as an international standard for the planning and carrying out of reclamation in arctic conditions.

"Carving Stone" means serpentinite, argillite and soapstone where those substances are suitable for use for carving purposes.

"Closure and Reclamation Plan" means the plan attached hereto as Schedule "D", as amended from time to time.

Closure and Reclamation Security Deposit means the security to be deposited by AEM in accordance with section 4.09.

"Commencement of Commercial Production" means the point in time when the mine has achieved a total of thirty (30) days of production at sixty-six (66%) percent of design criteria.

"Effective Date" means the date of this Lease set out on page 1.

"Environment" means the components of the earth and includes:

- (a) air, land and water;
- (b) all layers of the atmosphere;
- (c) all organic and inorganic matter and living organisms; and
- (d) the interacting natural systems that include components referred to in sub-clauses (a) to (c).

"Environmental Audit" means an assessment of AEM's operations on the Leased Land to:

- (a) determine whether the Environment is or may be subject to Environmental Damage as a result of the Project;
- (b) establish the extent of any such Environmental Damage;
- (c) identify the causes of any contamination and identify anything that may cause such Environmental Damage in the future;
- (d) identify ways to remediate any Environmental Damage;
- (e) identify ways to prevent future Environmental Damage; and
- (f) identify ways to improve the protection of the Environment and implement Best Practices in AEM operations on the Leased Lands.

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"Environmental Damage" means injury or damage to the Environment caused or contributed to by any act or omission of AEM or other person for whom AEM is responsible in law which is not authorized by law or permitted by this Lease.

"Environmental Laws" means all applicable laws respecting the Environment, including but not limited to all regulations, bylaws, common law, international treaties or agreements having domestic legal effect and, to the extent adopted in law, environmental codes, policies and guidelines, as amended from time to time.

"Hazardous Substance" means any substance which causes or may cause Environmental Damage by entering the environment in a quantity or concentration or under conditions that:

- (a) have or may have an immediate or long-term adverse effect on the environment or its biological diversity;
- (b) constitute or may constitute a danger to the environment on which life depends; or
- (c) constitute or may constitute a danger to human life or health.

"IIBA" means the Inuit Impact and Benefits Agreement among KIA, Cumberland Resources Ltd. and Meadowbank Mining Corporation dated March 25, 2006, which has been assumed by AEM.

"Inuit" means Inuit enrolled on the Inuit Enrollment List established pursuant to Article 35 of the NLCA.

"Laws" means all applicable statutes, regulations, by-laws, rules, permits, guidelines or orders of any federal, territorial, municipal or other governmental authority or board having jurisdiction over the Project.

"Lease" means this Production Lease for Inuit Owned Lands.

"Lease Security Deposit" means the security to be deposited by AEM in accordance with section 4.05.

"Leased Land" means:

- (a) until a survey is filed pursuant to section 5.03, those Inuit Owned Lands described in Schedule "A"; and
- (b) after a survey is filed pursuant to section 5.03, those Inuit Owned Lands described in the filed plan of survey.

"Mine Plan" means AEM's annual mine plan as set out in section 5.09.

"Minerals" means precious and base metals and other non-living, naturally occurring substances, whether solid, liquid or gaseous, including coal, Precious Stones and Semi-Precious Stones within, upon or under the Leased Land, but excluding Specified Substances, water, petroleum, natural gas and related hydrocarbons.

"NLCA" means the Nunavut Land Claims Agreement, also more formally known as the Agreement Between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in right of Canada as ratified by the Act and by vote of Inuit.

"NTI" means Nunavut Tunngavik Inc. or any successor organization.

"Order" means any notice of defect or non-compliance, directive or order from any governmental authority with jurisdiction over AEM or the Project;

"Precious Stones" means diamonds, sapphires, emeralds and rubies.

"Project" means the Meadowbank Gold Mine Project as described and set out in the Project Certificate and all undertakings and activities ancillary thereto.

"Project Certificate" means Certificate No. 004 granted by the Nunavut Impact Review Board in respect of the Project and any amendments thereto.

"Remedial Work" means any work required to remedy any Environmental Damage or to complete reclamation required under the Closure and Reclamation Plan.

"Remedial Work Extension" has the meaning given in section 6.03.

"Rent" means all rent and additional rent to be paid by AEM pursuant to this Lease.

"Semi Precious Stones" means a stone valued for use in jewellery, artwork or ornaments, but having less commercial value than a Precious Stone, applied especially to such stones as amethyst, garnet, jade and tourmaline.

"Specified Substances" means construction stone, sand and gravel, limestone, marble, gypsum, shale, clay, volcanic ash, earth, soil, diatomaceous earth, ochre, marl, peat and Carving Stone.

"Term" means that period of time set out in section 3.03.

"Unavoidable Event" means an event causing a bona fide delay, notwithstanding the commercially reasonable best efforts of the party delayed, in the performance of any obligations under this Lease, arising from causes beyond the reasonable control of such party, including strike, lockout, riot, insurrection, war, fire, tempest and Act of God, provided always that a lack of funds shall not constitute such an event.

1.02 Entire Agreement

This Lease and all Schedules shall constitute the entire agreement between KIA and AEM with respect to the subject matter hereof and shall supersede all previous negotiations, representations, and documents in relation hereto made by either party to this Lease.

1.03 Schedules

The following schedules are incorporated into and form part of this Lease:

Schedule "A" - Description of Leased Land

Schedule "B" - Work Plan -- 2008

Schedule "C" - Arbitration Procedures

Schedule "D" - Closure and Reclamation Plan

1.04 Business Days

If the date for satisfying any condition or performing any obligation herein falls on a Saturday, Sunday or holiday in Nunavut, the time for satisfying the condition or performing the obligation shall be extended to the next following day that is not a Saturday, Sunday or holiday in Nunavut.

1.05 Governing Laws

This Lease shall be governed by and interpreted in accordance with the laws of the Territory of Nunavut and the laws of Canada applicable therein.

1.06 Singular/Plural

The use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Lease or a Schedule to such person or persons.

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1.07 Sections and Headings

The division of this Lease into Articles and sections and the insertion of headings are for reference only and shall not affect the construction or interpretation hereof.

2.00 REPRESENTATIONS AND WARRANTIES

2.01 Corporate Representations

Each party represents and warrants to the other that it has been duly incorporated and validly exists as a corporation under the laws of Canada or a province or territory thereof and that the execution, delivery and performance of this Lease has been duly authorized by all necessary corporate proceedings.

2.02 Mutual Representations

Each party represents and warrants to the other that this Lease constitutes a valid and binding agreement enforceable against it in accordance with its terms.

2.03 KIA Representation

The rights granted under this Lease include the grant by KIA, to the full limits of its power and authority to so grant, the extent of which it does not covenant, warrant or represent, of the right to the surface of the Leased Land, as is necessary and incidental to the purpose set out in this Lease. No subsurface rights are granted pursuant to this Lease.

2.04 AEM Representation

AEM represents and warrants that it is registered and shall remain, throughout the Term, registered and in good standing to carry on business in the Territory of Nunavut.

2.05 Survival

The representations and warranties set forth in this Article 2 shall survive the execution and delivery of this Lease. A breach by a party of any representation or warranty may be waived by the other party in whole or in part without prejudice to its rights in respect of the same or any other representation or warranty.

2.06 Resolution of Conflicts

In the event of any conflict between this Lease and any law, order, rule, regulation or policy having the force of law, the law, order, rule, regulation or policy shall

prevail. In the event of any conflict in this Lease with the Project Certificate, AEM shall notify KIA and the terms and conditions of the Project Certificate shall prevail. In the event of any inconsistency with any other agreement between the parties, or between the main body of this Lease and any schedule, the party discovering the inconsistency shall notify the other and the parties shall negotiate in good faith and shall record in writing their agreement on how to resolve the inconsistency.

3.00 GRANT, PURPOSE & TERM

3.01 Grant

KIA, being the holder of the fee simple title to Inuit Owned Lands in the Kivalliq Region, save and except for the mines and minerals, does hereby lease to AEM the surface of the Leased Land, subject to the covenants, powers, terms and conditions of this Lease. The rights herein granted are subject to such rights and interests as are provided in the NLCA and the provisions of the Land Titles Act and include the right to enter, use and occupy the surface of the Leased Land and the right to remove therefrom and work and use all or any of the Minerals therein, provided that such rights are strictly incidental to exploring for, developing, mining, extracting, producing and selling Minerals.

3.02 Purpose

The Leased Land shall be used for the purposes of extraction and production of Minerals and all necessary associated activities, all in accordance with the Project Certificate, AEM's Mine Plan and this Lease.

3.03 Term

The Term of this Lease shall commence on the Effective Date and, subject to all terms and conditions of this Lease, shall continue until December 31, 2027. This Lease may be extended by agreement in writing of the parties, for periods of ten (10) years, upon such terms and conditions as the parties may agree.

3.04 Amendment to Leased Lands

AEM shall have the right, from time to time, to notify KIA of its desire to remove specified parcels of land from the Leased Land. Upon AEM having complied with all terms of this Lease, including completion in accordance with a reclamation plan approved by KIA of all remediation and reclamation with respect to any parcels to be removed from the Lease, the parties shall enter into an Amending Agreement whereby Schedule "A" shall be amended to delete the said parcels from the Leased Land, and rent and the Closure and Reclamation Security

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Deposit shall be adjusted, as agreed by the parties. AEM shall, if requested by KIA, have a new survey prepared.

4.00 RENT, FEES & SECURITY

4.01 Rent & Fees

(1) AEM shall pay to KIA within fourteen (14) business days of the Effective Date, and thereafter on each Anniversary Date:

(a) Rent in the amount of [REDACTED] based on [REDACTED] per hectare for 1,188 hectares; and

(b) Surface disturbance fees in the amount of [REDACTED] dollars, based on [REDACTED] per hectare 600 hectares.

(2) Should it be determined that the area of the Leased Land is more or less than 1,188 hectares, the Rent herein provided shall be adjusted. Should it be determined that the surface area disturbed is more or less than 600 hectares, the surface disturbance fees shall be adjusted.

4.02 Increase for Inflation

KIA may, commencing on the second Anniversary Date and thereafter annually, multiply the Rent and surface disturbance fees set out in section 4.01(1) by the increase in the Consumer Price Index ("CPI") for Canada as published by Statistics Canada under the Statistics Act for the previous year and the Rent and fees shall be adjusted accordingly.

4.03 Payment of Rent & Fees

Payments shall be made without any abatement or deduction and without prior demand by KIA to:

Box 340
Rankin Inlet, NU X0C 0G0
Attention: Finance Department

4.04 Interest on Amounts in Arrears

Without waiving any other right of action of KIA in the event of default in payment of any amount owing under this Lease, AEM shall pay interest thereon at a rate calculated on a per diem basis, in an amount equal to 12% per annum, calculated and payable monthly in the same manner as Rent and fees, retroactive from the date any such amount is due and payable, until paid.

[Handwritten signature]

4.05 Lease Security Deposit

Contemporaneously with the execution of this Lease, AEM shall deposit with KIA a Lease Security Deposit in the amount of [REDACTED]

4.06 Realization on Lease Security Deposit

If AEM breaches any material term, covenant or condition of this Lease, other than pursuant to Article 6, and fails to remedy such breach within the time permitted pursuant to this Lease, KIA may, at its option and without prejudice to any other rights, on thirty (30) days' prior written notice to AEM of its intention to do so, appropriate and apply the Lease Security Deposit or so much of it as may be necessary to compensate KIA for loss, costs or damages sustained by KIA arising out of or in connection with such breach by AEM. Should KIA draw or realize on the Lease Security Deposit, AEM shall, within thirty (30) business days' receipt of written notice given by KIA, replenish the Lease Security Deposit by such amount as may have been required to be realized on pursuant to this section. KIA shall provide AEM with a full accounting for any amount expended under this section along with written justification for the expenditure.

4.07 Change in Lease Security Deposit

- (1) If at any time during the Term the amount of Rent or fees is increased, or if KIA acting reasonably determines that the risk associated with Project activities on the Leased Lands has increased, AEM shall within twenty (20) business days of receipt of written notice from KIA, increase the Lease Security Deposit by the amount of such increase. AEM agrees to cooperate with KIA in providing or executing such documentation as may be necessary to give effect to the increase in the Lease Security Deposit. It is the intent of the parties to this Lease that any determination of an increase in risk associated with the Project activities will be prefaced by reasonable consultation and discussion between the parties.
- (2) Provided that AEM is not in default hereunder, upon receipt of confirmation from all regulatory bodies governing the Project that AEM has fulfilled all Project closure requirements, KIA shall, upon request of AEM, release to AEM the Lease Security Deposit.

4.08 Form of Lease Security Deposit

The Lease Security Deposit shall be in form and content acceptable to KIA.

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4.09 Closure & Reclamation Security

Contemporaneously with the execution of this Lease, AEM shall deposit with KIA a Closure and Reclamation Security Deposit in the amount of [REDACTED]

4.10 Realization on Closure and Reclamation Security Deposit

If AEM breaches any material term, covenant or condition pertaining to its obligations relating to the Environment or the abandonment, closure and reclamation of the Project and fails to remedy such breach within the time permitted pursuant to this Lease, KIA may, at its option and without prejudice to any other rights, on thirty (30) days' prior written notice to AEM of its intention to do so, appropriate and apply the Closure and Reclamation Security Deposit or so much of it as may be necessary to compensate KIA for loss, costs or damages sustained by KIA arising out of or in connection with such breach by AEM. Should KIA draw or realize on the Closure and Reclamation Security Deposit, AEM shall, within thirty (30) business days of receipt of written notice given by KIA, replenish the Closure and Reclamation Security Deposit by such amount as may have been required to be realized on pursuant to this section. KIA shall provide AEM with a full accounting for any amount appropriated and applied under this section along with written justification for the expenditure.

4.11 Change in Closure and Reclamation Security Deposit

- (1) If at any time during the Term the Closure and Reclamation Plan identifies an increase in costs for closure and reclamation of the Project, AEM shall within twenty (20) business days' receipt of written notice from KIA, increase the Closure and Reclamation Security Deposit by the amount of such increase in costs. AEM agrees to cooperate with KIA in providing or executing such documentation as may be necessary to give effect to the increase in the Closure and Reclamation Security Deposit.
- (2) Provided that AEM is not in default hereunder, upon receipt of confirmation from all regulatory bodies governing the Project that AEM has fulfilled all Project closure requirements, KIA shall, upon request of AEM, release to AEM the Closure and Reclamation Security Deposit.

4.12 Form of Closure and Reclamation Security Deposit

The Closure and Reclamation Security Deposit shall be in a form and content acceptable to KIA.

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5.00 COVENANTS OF AEM

5.01 Conduct of Work & Site Maintenance

- (1) AEM shall conduct its work on the Leased Land in accordance with all Laws, Best Practices.
- (2) AEM shall maintain the Leased Land in accordance with this Lease and all applicable legislation and permits.
- (3) AEM shall develop its Waste Management Plan in consultation with KIA and in accordance with all applicable legislation and permits.

5.02 Carving Stone & Archaeological Sites

- (1) In the event AEM discovers or unearths an Archaeological Site on the Leased Land, AEM shall ensure that its operations do not affect the Archaeological Site and shall flag and identify such location and immediately provide written notice to KIA. AEM shall comply with all laws affecting Archaeological Sites including, without limitation, article 33 of the NLCA and the Project Certificate.
- (2) If a significant occurrence of Carving Stone is discovered on the Leased Land, AEM shall notify KIA and shall take reasonable steps to make such Carving Stone available to Inuit.

5.03 Survey

AEM shall, prior to the Commencement of Commercial Production, deliver to KIA a plan of survey prepared by a Canada Lands Surveyor which shall show the boundaries of the Leased Land and, by September 1st of the year following mine start-up, deliver to KIA a plan of survey prepared by a Canada Lands Surveyor showing the Leased Lands and location of all structures thereon, which shall become Schedule "A" hereof in the place and instead of the current Schedule "A". AEM shall file in the Land Titles Office and shall deliver to KIA a certified copy of the plan of survey and all of the surveyor's field notes. In the absence of a survey KIA does not warrant the accuracy of the boundaries of the Leased Land.

5.04 Compliance

AEM shall at all times comply with all Laws. Without limiting the generality of the foregoing, AEM shall obtain and comply with all necessary permits, licenses, certificates and rights required for the Project including the Project Certificate and



the commitments contained in the Project Certificate, any licence issued by the Nunavut Water Board and any mineral rights.

5.05 Taxes & Other Charges

AEM shall pay all rates, taxes (including, to the extent applicable, goods and services tax on Rent and fees payable hereunder), fees, rentals, royalties, charges and assessments charged in respect of the Leased Land and the Project, by any body including, without limitation, the federal and territorial governments. AEM further covenants that if AEM omits to pay any such amount, KIA may, but shall not be obliged to, pay such rate, tax, charge or assessment and charge it to AEM as additional rent under this Lease. Nothing in this section shall be interpreted so as to require AEM to pay any business taxes, income taxes or capital taxes of KIA, or to prevent AEM from bona fide appealing any tax. If AEM wishes to contest in good faith the amount or validity of any tax it shall so notify KIA, and deposit with KIA the amount of the tax claimed, then AEM may defer payment for a period of time sufficient to enable AEM to contest the tax with due diligence, provided always that neither the Leased Land or any part thereof, nor AEM's leasehold interest therein, thereby becomes liable to forfeiture or sale.

5.06 Discharge of Liens

AEM shall not do nor permit anything to be done which would result in a charge, lien, encumbrance or other claim or registration including any workers' compensation levies, against the Leased Land, except with the prior written consent of KIA. AEM shall cause any charge, lien, encumbrance or registration to which KIA has not consented to be discharged or vacated within sixty days of receiving notice of registration, provided that such discharge or vacating shall not prevent AEM from contesting any liability to a third party for any claim or the validity of any charge, lien, encumbrance or registration so discharged or vacated.

5.07 Indemnification

AEM shall indemnify and save KIA, its agents, directors, officers and employees, harmless from and against all liabilities and obligations to third parties (including on a solicitor and client basis) incurred as a result of personal injury, including death, or damage done to any person or property caused directly or indirectly by any act or omission of AEM or its employees, agents or contractors.

5.08 Insurance

AEM shall obtain and maintain at all times throughout the Term:

- (1) comprehensive general liability insurance;

- (a) providing coverage of not less than \$5,000,000 per occurrence;
 - (b) naming KIA as an additional insured subject to a cross-liability clause; and
 - (c) stipulating that the insurance shall not be cancelled or terminated without at least thirty (30) days notice in writing to KIA; and
- (2) such other insurance as would be reasonable and prudent in the circumstances.

AEM shall provide evidence of such insurance to KIA.

5.09 Mine Plan

On or before January 1st in each year of the Term, AEM shall deliver to KIA its annual Mine Plan for the next calendar year, detailing at least the following:

- (i) a description of the activities and work that AEM proposes to perform in that year on the Leased Land, together with a listing of major equipment to be brought onto the Leased Land; and
- (ii) a description of the topographical features and any natural or manmade features, structures, works and waters that may be affected.

In the event that AEM wishes to amend or vary in a material way from the Mine Plan, an amended Plan shall be submitted to KIA for its consideration. If requested by KIA, AEM shall meet with KIA to resolve any concerns of KIA respecting the Mine Plan. The parties agree that the 2008 Work Plan provided for the Advanced Exploration Lease and attached as Schedule "B" shall be the Mine Plan for 2008.

5.10 Reporting

AEM shall, within 15 days of the end of each quarter, deliver to KIA quarterly reports in printed and electronic formats acceptable to KIA, detailing its activities on the Leased Land, which reports shall include at least the following:

- (1) a summary of its mining activities during the period;
- (2) any variations from the Mine Plan, with reasons for such variation;
- (3) information respecting AEM's compliance with the terms of this Lease and any permits or licenses required in respect of the Project, together with details of any incidents of non-compliance, any inspection reports, any

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Order or fines levied by any competent regulatory authority and any remedial action relating thereto;

- (4) copies of any environmental monitoring reports or environmental studies in respect of the Project prepared for AEM, together with any interpretation or analysis of the data contained therein.

5.11 Structures & Equipment

AEM may construct or place on the Leased Land any building or structure, or operate any heavy equipment, only in accordance with the Mine Plan.

5.12 Inspection & Monitoring

- (1) AEM shall permit KIA and its agents, at all reasonable times and, except in the case of an emergency, on not less than twenty-four (24) hours notice, to enter onto and inspect the Leased Land to determine compliance by AEM with the terms and conditions of this Lease and the IIBA.
- (2) If KIA notifies AEM that any condition on the Leased Land requires repair or correction in order to comply with this Lease, AEM will correct that condition as soon as reasonably possible. KIA shall be notified once remedial action is complete and its inspectors shall be entitled to examine the work during their next inspection. KIA shall be entitled to have its inspectors remain on the Leased Land for such reasonable period of time as may be necessary to monitor corrective measures.
- (3) AEM shall pay, upon submission of invoices by KIA, the reasonable costs of any inspection undertaken prior to Commencement of Commercial Production, and for four inspections per year after Commencement of Commercial Production and continuing to the date upon which AEM has provided confirmation that it has obtained written confirmation from all regulatory bodies governing the Project that it has fulfilled all Project closure requirements in accordance with section 6.05, except where there has been a notice of default issued under this Lease, or a notice of non-compliance or Order has been issued with respect to the Project, in which case inspections shall occur as often as KIA, acting reasonably, deems appropriate, at the cost of AEM. Any additional inspections shall be at the cost of KIA. AEM shall provide food and lodging for the KIA inspectors for such periods as is reasonably necessary.

5.13 Records

AEM shall maintain in a location identified to KIA during the Term and for a period of ten (10) years following the expiration or early termination of the Lease,



documents and records, including permits, licences, orders, approvals, certificates, authorizations, registrations and other such records relating to the Project and the environmental condition of the Leased Land. AEM shall, at its cost, provide access to KIA and KIA shall have the right to review and copy such documents and records, as soon as reasonably possible after written notice is provided to AEM.

5.14 Surrender on Termination or Expiry

AEM shall peaceably yield up and surrender the Leased Land to KIA at the expiration or sooner termination of this Lease or any Remedial Work Extension in a good state of repair, remediation and reclamation, in compliance with all Environmental Laws and other Laws, the Closure and Reclamation Plan and the terms and conditions hereof.

5.15 Submission of Plans & Reports

AEM shall provide to KIA, upon issuance, a copy of each of the following documents and any updates issued during the Term, in printed and electronic format acceptable to KIA:

- (1) Terrestrial Ecosystem Management Plan;
- (2) Wildlife Summary Monitoring Reports;
- (3) Air Traffic Management Plan;
- (4) Noise Abatement Plan;
- (5) Country food contaminant monitoring reports;
- (6) Baseline report for archeological sites in the Project area;
- (7) Air quality monitoring reports;
- (8) Early Warning Monitoring Program;
- (9) Emergency Response Plan;
- (10) Closure and Reclamation Plan; and
- (11) all reports required to be filed with any regulatory body including, without limitation, the Nunavut Water Board and the Nunavut Impact Review Board.

6.00 COVENANTS OF AEM RESPECTING THE ENVIRONMENT

6.01 Environmental Obligations

AEM shall undertake its operations on the Leased Land so as to protect the Environment and shall, at its own cost and expense:

- (1) comply with, and ensure that every person permitted by AEM on the Leased Land complies with, all Environmental Laws and NTT's Reclamation Policy, as amended from time to time, provided that, in the event of any conflict between NTT's Reclamation Policy and any Environmental Laws or any license or other certificate governing the operation of the Project, the provision of any such Laws, license or certificate shall prevail;
- (2) be liable for and remedy any Environmental Damage that occurs as a result of any act or omission of AEM or other person for whom AEM is responsible in law;
- (3) immediately give written notice to KIA of the occurrence of any event in or on the Leased Land of which it becomes aware respecting any failure of AEM or other person on the Leased Land to comply with any Environmental Laws;
- (4) if requested, give KIA from time to time written notice of the extent and nature of AEM's compliance with an Order, any Environmental Laws and this Article;
- (5) as soon as possible, apply Best Practices to remedy Environmental Damage, comply with an Order, perform any Remedial Work and ensure compliance with Environmental Laws;
- (6) promptly cease any activity which fails to comply with any Order, Environmental Laws, or this Article;
- (7) if requested by KIA, acting reasonably, prepare all plans, consult with KIA, obtain and provide to KIA a written document in form and content satisfactory to and addressed to KIA, from an independent consultant approved by KIA verifying that any activity required by sub-section (5) above has been fully and completely performed, or that any activity contemplated by sub-section (6) above has ceased.
- (8) not later than twelve months prior to the expiration of the Term or within ninety days of receipt of notice from KIA pursuant to section 7.01,

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whichever first occurs, develop and submit for the approval of KIA a final Closure and Reclamation Plan;

- (9) reclaim and remediate the Leased Land in accordance with the Closure and Reclamation Plan, on an ongoing basis through the Term and deliver to KIA, not later than March 31st of each year of the Term, beginning five years after the Effective Date, an amended Closure and Reclamation Plan detailing the activities taken in the last year and to be undertaken in the next year and planned for the balance of the Term, that includes, but is not limited to the proposed methods and procedures for the progressive:
 - (a) removal of all structures, equipment and other man made debris;
 - (b) rehabilitation of the area;
 - (c) replacement of overburden and soil;
 - (d) grading of the area back to its natural contours;
 - (e) re-establishment, to the extent possible, of vegetation disturbed as a result of AEM activities or presence on the Leased Land; and
 - (f) the estimated costs of implementing the Closure and Reclamation Plan for the next year and for the balance of the Term.
- (10) retain an independent contractor acceptable to KIA to conduct an Environmental Audit of the Leased Land when, in the opinion of KIA, acting reasonably, it is necessary or desirable to conduct such an Audit, and upon the completion of closure and reclamation under the final Closure and Reclamation Plan. AEM shall take all necessary steps to ensure that the Environmental Audit follows Best Practices. The terms and conditions for the Audit shall be approved by KIA before it is initiated. KIA shall be provided with a copy of any Environmental Audit, including all drafts, produced by the contractor and upon reviewing it KIA may request that additional investigation or analysis be conducted. AEM shall, at its own cost, immediately perform any further Remedial Work required by such report.

6.02 Action of KIA

If in the opinion of KIA acting reasonably, AEM fails to promptly commence and diligently complete any work required to remedy any Environmental Damage or to comply with an Order or Environmental Laws, KIA may deliver to AEM written notice and:

- (a) direct that Remedial Work be commenced without delay;

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- (b) direct AEM to prepare and implement a plan for the Remedial Work, acceptable to KIA; and
- (c) direct that the Remedial Work be completed within such time as KIA deems reasonable;

and if AEM fails to comply in a timely fashion, KIA shall have unrestricted access to the Leased Land and may enter with machinery and equipment at all reasonable times and without charge and perform such Remedial Work at the expense of AEM, and such expense shall be deemed as additional rent. No entry by KIA pursuant to this section shall be deemed to be a re-entry under this Lease or a breach of any covenant for quiet enjoyment. In exercising its rights under this section, KIA shall use reasonable efforts to minimize, to the extent practicable, any material adverse interference with AEM's use and possession of the Leased Land.

6.03 Remedial Work Extension

If the time required to perform Remedial Work extends beyond the Term, the parties may agree to extend this Lease for such reasonable period of time (a "Remedial Work Extension") as may be necessary to complete such Remedial Work. AEM shall be entitled only to carry on Remedial Work on the Leased Land during the Remedial Work Extension, but shall continue to be bound by the terms of this Lease, including without limitation the payment of Rent and fees, until the Remedial Work has been completed, as if AEM was an overholding tenant with the written permission of KIA. Should AEM fail to undertake or diligently pursue completion of the Remedial Work, KIA may, without prejudice to any other remedy it may have, on not less than ninety (90) days' written notice to AEM, terminate this Lease and may exercise its right pursuant to section 6.02 to perform such Remedial Work.

6.04 Indemnity For Environment

With the exception of any liability arising as a result of KIA entering onto the Leased Lands for purposes set out in section 6.02, AEM shall indemnify and save harmless KIA, its employees, agents and contractors and all those for whom KIA may at law be responsible, from and against all claims, demands, losses, costs, damages, actions, suits or proceedings brought against KIA, arising out of, relating to, occasioned by or attributable to any Environmental Damage on, in or above the Leased Land or any portion thereof, or the adjacent land, air or water.

6.05 Survival Of AEM's Obligations

- (1) The obligations and liabilities of AEM relating to the Environment and/or Environmental Damage pursuant to Article 6.00 shall survive the expiry or



early termination of this Lease and completion of any Remedial Work required under the Closure and Reclamation Plan and shall continue until such date as AEM has provided to KIA written confirmation from all regulatory bodies governing the Project that AEM has fulfilled all Project closure requirements, including, without limitation, decommissioning, abandonment of the Project and completion of any Remedial Work.

- (2) Should AEM bring, permit or create in or on the Leased Land any Hazardous Substances, then, notwithstanding any rule of law to the contrary, such Hazardous Substances shall be and remain the sole and exclusive property of AEM, notwithstanding any present or future statutory provision or legal presumption to the contrary and notwithstanding the degree of affixation of the substance or the goods containing such Hazardous Substance to the Leased Land, until such time as AEM provides written confirmation to KIA that it has fulfilled all Project closure requirements in accordance with subsection 6.05(1).

7.00 DEFAULT

7.01 Termination

If AEM:

- (1) ceases operating for a period of more than twenty-four months, other than as anticipated in accordance with the initial Mine Plan; or
- (2) fails to pay Rent, fees or any other amount payable hereunder, and such default continues for a period of 15 days following written demand therefor; or
- (3) defaults in the performance of a material obligation under this Lease, or any license, lease, permit or other agreement respecting the Project, which default has not been corrected within the time allowed in this Lease or such license, lease, permit or other agreement; or
- (4) is found to be in default of a material obligation under the IIBA, following arbitration in accordance with the IIBA,

in addition to and without prejudice to any other right which KIA may have, KIA may give notice in writing to AEM that the Lease has been terminated, provided that:

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- (a) KIA has given to AEM and each registered Mortgagee a notice of default containing particulars of the default; and
- (b) AEM or a registered Mortgagee has not, within sixty (60) days after giving of such notice, cured the default or, where the default can not be cured within sixty (60) days, as determined by KIA acting reasonably, has not commenced and diligently pursued curing the default or, where a cure is not reasonably possible, fully compensated KIA and implemented procedures to prevent a similar default in the future, as determined by KIA, acting reasonably.

8.00 ASSIGNMENT & MORTGAGE OF INTEREST

8.01 Assignment

- (1) KIA shall not assign or transfer this Lease or its interest in the Leased Land except to a Designated Inuit Organization as defined in the NLCA.
- (2) AEM shall not transfer or assign this Lease except with the prior written consent of KIA. In addition to any other conditions which may be imposed by KIA, it shall be a condition of granting consent that the assignee or transferee shall agree in writing with KIA:
 - (a) to take transfer or assignment of the IIBA and any other license, permit or agreement issued by KIA in respect of or incidental to the Project or anything connected therewith, concurrently with any transfer or assignment of this Lease;
 - (b) to assume and perform the covenants and obligations of AEM under this Lease, the IIBA or other license, permit or agreement arising after the date of assignment or transfer;
 - (c) to cure any and all defaults under the Lease, the IIBA or other license, permit or agreement arising prior to the date of assignment or transfer and where curing a default is not reasonably possible, fully compensate KIA and implement procedures to prevent a similar default in the future.
- (3) AEM shall not sublet the Leased Land or any part thereof except with the prior written consent of KIA.
- (4) If AEM ceases to have any interest in this Lease, provided that the transferee or assignee has agreed to be liable under subsection (2), has provided a replacement Lease Security Deposit and Closure and

Reclamation Security Deposit, and all defaults have been cured, AEM shall be released from any liability arising as a result of any act or omission of the transferee or assignee accruing or arising after the date of the transfer or assignment.

8.02 Mortgage of Interest

- (1) KIA shall consent from time to time to AEM mortgaging its interest in this Lease and the Leased Land by way of security to a lender, provided that such consent shall not constitute a waiver by KIA of any rights that it may have against AEM pursuant to this Lease and further provided that no mortgagee or anyone claiming by, through or under the mortgagee shall, by virtue thereof, acquire any greater rights in the Leased Land or any portion thereof than AEM has under this Lease.
- (2) If the interest of AEM in the Lease is from time to time conveyed or charged by a Tenant's mortgage and if KIA is notified in writing of such mortgage and the name and address of the mortgagee, then so long as such mortgage continues in force and until transfer thereof, notice of default, as required to be given to AEM under this Lease, shall simultaneously be given to the mortgagee and the giving of such notice to such mortgagee shall be a condition precedent to KIA's right to exercise its remedies hereunder upon default and the mortgagee shall have the right to take such action as may be necessary to cure or commence to cure any such default(s) as described in this Lease, to the same extent and with the same effect as though done by AEM and in priority to any rights of KIA contained in this Lease.
- (3) AEM shall, forthwith upon receipt of written notice of default from AEM's mortgagee, provide a copy of such notice of default to KIA.

8.03 New Sublease To AEM's Mortgagee

If for any reason this Lease shall be terminated before the end of the Term, any Tenant's mortgagee who shall be entitled to be given notice as provided in section 8.02 shall be entitled to enter into a new lease with KIA for a period that, but for the termination of this Lease would have been the remainder of the Term, such new lease to be effective immediately upon such termination, at the Rent and upon all of the terms, provisions, covenants and agreements of this Lease, so long as AEM's mortgagee:

A handwritten signature, possibly reading "M. B.", is located in the bottom right corner of the page.

- (1) makes a written request to KIA for such new lease within 60 days after the mortgagee is advised by notice in writing from KIA of the termination of this Lease and is approved by KIA in accordance with section 8.01(2);
- (2) pays or causes to be paid to KIA at the time of the execution and delivery of the new lease all sums which would at the time of the execution and delivery of the new lease be due to KIA by AEM under this Lease but for such termination and the mortgagee has paid all of the costs of KIA in connection with such new lease;
- (3) has taken such action to cure or commence to cure any default(s) under the Lease and to the same extent and with the same effect as though done by AEM, and in priority to any rights of KIA contained in this Lease;
- (4) has taken assignment of all other leases, licenses, certificates and agreements affecting the Project, including the IIBA; and
- (5) has obtained all government and regulatory approvals as may be required.

8.04 Discharges Or Transfers

In the event that AEM's mortgagee elects not to enter into a new lease as provided for in section 8.03, AEM shall cause its mortgagee to execute and provide to KIA registrable discharges or transfers of all security registered by it in respect of this Lease or any rights arising hereunder.

8.05 Separate Agreement

KIA shall, at the request and expense of AEM, enter into an agreement, in form satisfactory to KIA and AEM's mortgagee, all acting reasonably, confirming the provisions of this Article 8 and such additional terms and conditions as may be agreed upon by KIA, AEM and the mortgagee.

8.06 Costs

If and whenever KIA incurs any reasonable costs arising out of anything to be done pursuant to this Article 8 or to accommodate any request of AEM or AEM's Mortgagee, all such costs shall be reimbursed by AEM upon receipt of an invoice therefor.

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9.00 MISCELLANEOUS PROVISIONS

9.01 Notice of Accident or Injury


AEM shall provide written notice by facsimile transmission to KIA as soon as is reasonably practicable but in any event within twelve (12) hours of AEM becoming aware of any accident connected to the Project involving death or multiple serious injuries requiring hospitalization or any incident respecting the Project which has become public knowledge and a matter of public concern. Such notice shall include the details and nature of the incident or accident. A further notice should be provided to the KIA within 48 hours outlining any remedial measures AEM proposes to take in response.

9.02 Confidentiality

KIA shall not disclose to any person any information related to the Leased Land and AEM's operations thereon obtained from AEM which AEM identifies as confidential information, except information which is in the public domain, information relating to the environment and reclamation, information relating to wildlife, or information of a summary nature such as the type of work done, the approximate value of the work and the general area in which the work was done, until the earlier of (i) five (5) years after the date KIA received the information, or (ii) the date upon which this Lease expires or is terminated. Notwithstanding the foregoing, and subject to making appropriate arrangements to protect confidential information, KIA may disclose any information to directors, employees, contractors, NTI and professional advisors of KIA and NTI who have a need to know such information, or as required in order to comply with Laws or a court order.

9.03 Unavoidable Event

Whenever a party is unable to fulfill or is delayed or restricted in fulfilling any of its obligations under this Lease by an Unavoidable Event, such party shall be relieved from fulfillment of the part of its obligations affected by the Unavoidable Event during the period of the Unavoidable Event, provided that the party so delayed shall forthwith notify the other after becoming aware of the commencement of any event which is the cause of the Unavoidable Event and the anticipated duration of the event which is the cause of the Unavoidable Event and the steps proposed to be taken to overcome such event. Notwithstanding any Unavoidable Event, the party affected shall proceed with the performance of its obligations not thereby affected. The provisions of this section shall not operate to excuse AEM from providing any insurance or from any obligation to pay Rent or other monies payable pursuant to this Lease.



9.04 Notice

Any notice required or permitted pursuant to this Lease shall be in writing and may be delivered by hand, by prepaid registered mail or by facsimile transmission to the parties at the following addresses:

If to KIA:

Box 340
Rankin Inlet, NU X0C 0G0
Attention: Lands Manager

If to AEM :

Suite 375 -- 555 Burrard St.
Box 72, Two Bentall Centre
Vancouver, B.C.
V7X 1M4
Attention: Regional General Manager

Notice if sent by prepaid registered mail shall be deemed received ten (10) days after mailing and shall be mailed from an address in Canada. Notice if sent by facsimile transmission shall be deemed to be received the next business day following apparently successful transmission.

9.05 Other Acts

KIA and AEM each shall, at the request of the other party from time to time, do such further acts and things and execute such further deeds and assurances as may be required to further, better and more perfectly and absolutely convey the interest in the Leased Land demised hereunder and fulfill the terms of this Lease.

9.06 No Waiver

No waiver of any breach of any term, condition or proviso of this Lease shall operate as a waiver of KIA's rights in respect of any subsequent default, or prejudice or defeat in any way the rights of KIA in respect of any subsequent default.

9.07 Overholding

If AEM continues to occupy the Leased Land after the expiration or termination of this Lease, other than for a Remedial Work Extension, with or without the consent of KIA and without any further agreement, lease or land use license, AEM shall be a monthly tenant at the Rent and on the terms and conditions herein set out, except as to length of tenancy.



9.08 Amendment of Lease

This Lease shall be amended only by written agreement signed by the parties.

9.09 Perpetuities

If any right, power or interest granted herein would violate the rule against perpetuities, then such right, power or interest shall terminate at the expiration of twenty (20) years after the death of the last survivor of all the lineal descendants of His Late Majesty, King George VI of England, living on the date of execution of this Lease.

9.10 Arbitration

If the parties are unable to resolve a dispute relating to any matter arising under this Agreement, it shall be determined in accordance with Schedule "C".

9.11 Land Titles Registration

AEM may, at its own expense, register this Lease or file a caveat against title to the Leased Land. Upon expiry or termination of this Lease, AEM shall execute and deliver to KIA a surrender or discharge, as the case may be, failing which AEM shall reimburse KIA for any and all fees, expenses and costs incurred in securing such surrender or discharge.

9.12 Time

Time is of the essence for this Lease.

9.13 Quiet Enjoyment

Subject to the reservations, conditions, covenants and agreements herein contained, AEM, its successors and permitted assignees, having performed and observed all the stipulations, provisos and conditions on its part to be observed and performed, will be entitled to the quiet enjoyment of the Leased Land without hindrance, molestation or interruption on the part of KIA.

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9.14 This Lease may be signed in counterpart. A copy of this Lease received by facsimile transmission shall be deemed legal and effective delivery.

ALL OF WHICH is agreed to, as evidenced by the signatures of the parties:

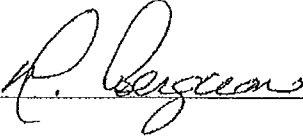
KIVALLIQ INUIT ASSOCIATION

Per:

Per:

AGNICO-EAGLE MINES LIMITED

Per:



Per:

SCHEDULE "B"

(insert 2008 Work Plan)

Q.B.

SCHEDULE "C"

If the Parties are unable to resolve a dispute relating to any matter arising under this Agreement, either Party may give the other Party a written notice demanding arbitration of the dispute (herein a "notice to arbitrate") in which event the procedures set out in this Schedule shall govern the arbitration of the dispute, as follows:

1. The Parties shall, within 30 days after issuance of notice to arbitrate, agree upon the appointment of a sole arbitrator who shall determine the dispute in accordance with this Schedule and having regard to all the provisions of this Agreement.
2. If, for any reason, the Arbitrator resigns, is unable or refuses to act or is removed from office, he or she shall be replaced by another arbitrator appointed by the Parties under these procedures and any oral hearings previously held shall be rescheduled.
3. If the Parties are unable to agree upon an arbitrator, either Party shall be entitled to apply to the courts of the Territory of Nunavut for the appointment of an arbitrator in accordance with the Arbitration Act (Nunavut).
4. Within ten days after the Arbitrator is appointed, the Arbitrator shall convene a meeting of the Parties to reach a consensus, if possible, and to make orders if necessary in respect of the following:
 - a) the procedures to be followed in the arbitration;
 - b) the time periods for taking steps in the proceedings;
 - c) the scheduling of any oral hearings or meetings;
 - d) any preliminary applications or objections a Party may have; and
 - e) any other matter which will assist the Arbitrator to proceed in an efficient and expeditious manner.
5. The Parties shall prepare and send to the Arbitrator a statement of facts on which they are in agreement within the time specified by the Arbitrator.
6. A copy of all written communications between the Arbitrator and a Party to the Agreement shall be given to the other Party at the same time.
7. Notwithstanding any other provision of this section, where any Party, without sufficient cause, and after five (5) business days' written notice from the Arbitrator, fails to abide by any orders or directions issued by the Arbitrator within the required time, the Arbitrator may:



- a) where the Party who fails to abide by the orders or directions is the Party who initiated the dispute process, immediately terminate the arbitration proceedings by issuance of a final award against that Party; or
 - b) where the Party who fails to abide by the orders or directions is the Party against whom the dispute process has been initiated, immediately terminate the arbitration proceedings by issuance of a final award against that Party.
8. Each Party shall allow the other Party the necessary access and a reasonable period of time to inspect and take copies of all documents that the other has submitted to the Arbitrator or that the Arbitrator has ordered to be produced.
9. The Arbitrator may:
 - a) retain one or more experts to give the Arbitrator a written report on specific issues; and
 - b) for that purpose, require a Party to make available relevant documents, goods, or other property for the experts' inspection.
10. All oral hearings and meetings in the arbitration process shall be conducted in private and all written communications and documents in respect of the proceedings shall be kept strictly confidential by the Arbitrator and the Parties.
11. Subject to any limitations in these procedures or any agreement reached by the Parties, the Arbitrator may conduct the arbitration in any matter the Arbitrator considers appropriate, but each Party shall be treated fairly and shall be given full opportunity to present its case.
12. The arbitration shall be held in Baker Lake, Nunavut, or at any other location agreed to by the Parties and shall be conducted in the English language.
13. The Arbitrator shall not be required to apply the legal rules of evidence and shall determine the relevance and materiality of the evidence presented.
14. The Arbitrator shall:
 - a) make the final award not later than 30 days after the hearing has been closed; and
 - b) provide a signed copy of the award to each Party;
15. Subject only to judicial review on matters of law and jurisdiction, the decision of the Arbitrator shall be binding upon the Parties.
16. The cost of each arbitration shall be borne equally by the Parties unless otherwise determined by the Arbitrator.



17. Except as herein modified, the Arbitration Act, R.S.N.W.T. 1988, c. A-5 of the Northwest Territories, as amended and as duplicated for Nunavut pursuant to section 29 of the Nunavut Act S.C. 1993, c.28 shall apply to the arbitration process hereunder.

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