

# **UPDATED SECURITY COST ESTIMATE**

**For the**

## **MELIADINE GOLD PROJECT**

**Prepared By:**



**NUNAVUT TUNNGAVIK INC.**

**And**



**KIVALLIQ INUIT ASSOCIATION**

**December 23, 2015**

**Prepared For:**

**NUNAVUT WATER BOARD**

## **EXECUTIVE SUMMARY (English)**

Ongoing discussions between the Kivalliq Inuit Association (KIA), Agnico Eagle Mines Ltd. (AEM) and Aboriginal Affairs and Northern Development Canada (AANDC) has led to a verbal agreement between all three parties on the security estimate for the proposed mine that Agnico Eagle Mines Ltd. (AEM) will be building on the Meliadine Gold Project.

The three parties have agreed, without prejudice, upon a security estimate of \$49,554,667, which is the estimate proposed by AANDC. All three parties have agreed that this amount is sufficient for completing the required reclamation as outlined in the AEM Closure and Reclamation Plan document.

The KIA's rationale for using a higher cost for engineering was based on the potential loss of expertise and knowledge related to a bankruptcy scenario. The discussions between the KIA, AEM and AANDC determined that there would be limited loss of expertise and knowledge based on the high percentage of the project design work being completed by external consultants and engineers; and storage of all the project design documents with the NWB.

## **EXECUTIVE SUMMARY (Inuktitut)**

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## **1.0 INTRODUCTION**

Ongoing discussions between the Kivalliq Inuit Association (KIA), Agnico Eagle Mines Ltd. (AEM) and Aboriginal Affairs and Northern Development Canada (AANDC) has led to a verbal agreement between all three parties on the security estimate for the proposed mine that Agnico Eagle Mines Ltd. (AEM) will be building on the Meliadine Gold Project.

The KIA, represents the Inuit beneficiaries of the Kivalliq Region, at the territorial and regional levels, and supports sustainable economic development opportunities for Inuit beneficiaries.

The three parties have agreed, without prejudice, upon a security estimate of \$49,554,667, which is the estimate proposed by AANDC. All three parties have agreed that this amount is sufficient for a completing the required reclamation as outlined in the AEM Closure and Reclamation Plan document.

## **2.0 SPECIFIC COMMENTS**

The discussions between the KIA, AEM and AANDC were centered on the cost differences between Engineering and Project Management. These cost differences are summarized in Appendix 1 and in the following text.

### **2.1 Engineering**

The KIA's initial estimate of these indirect costs was 15%, which was higher than the AEM (5%) and AANDC (10%) estimates. The KIA's rationale for using a higher cost was based on the potential loss of expertise and knowledge related specifically to the Meliadine Gold Project, if AEM failed as a company. This type of loss could lead to a longer time line, therefore, additional costs to implement the final site reclamation and closure plan.

The discussions between the KIA, AEM and AANDC outlined the following reasons that would limit this potential loss of expertise and knowledge related specifically to the Meliadine Gold Project:

- 1) All the project design documents will be placed with the Nunavut Water Board (NWB) so this information and knowledge will survive a bankruptcy scenario.
- 2) A high percentage of the project design work will be completed by external consultants and engineers, therefore, the KIA and AANDC will have access to engineering expertise and knowledge through a bankruptcy scenario.

## **2.2 Project Management**

The KIA estimate of these indirect costs is 10%, which is higher than the AEM (5%) and AANDC (5%) estimates. The KIA's rationale for using a higher cost was based on the potential loss of expertise and knowledge related specifically to the Meliadine Gold Project, if AEM failed as a company. This type of loss could lead to a multi layered management group comprised of managers from AANDC, KIA, engineering consultants, local and non-local sub-contractors which could lead to a longer time line, therefore, additional costs to implement the final site reclamation and closure plan.

The discussions between the KIA, AEM and AANDC outlined the following reasons that would limit this potential loss of expertise and knowledge related specifically to the Meliadine Gold Project:

- 1) The current project being proposed has a smaller footprint based on a reduction in the number and sizes of open pits. In addition, the use of dry stack tailings instead of sub-aqueous tailings storage has removed much of the complexity that was involved with water management issues.
- 2) With a reduction in the complexity of the project related to a smaller project footprint and the use of dry stack tailings the project management will also be simplified. In addition, the close proximity of the project to the full service transportation facilities and experienced local contracting community will simplify project management.

## **3.0 SUMMARY of RECOMMENDATIONS**

Ongoing discussions between the Kivalliq Inuit Association (KIA), Agnico Eagle Mines Ltd. (AEM) and Aboriginal Affairs and Northern Development Canada (AANDC) has led to a verbal agreement between all three parties on the security estimate for the proposed mine that Agnico Eagle Mines Ltd. (AEM) will be building on the Meliadine Gold Project.

The three parties have agreed, without prejudice, upon a security estimate of \$49,554,667, which is the estimate proposed by AANDC. All three parties have agreed that this amount is sufficient for a completing the required reclamation as outlined in the AEM Closure and Reclamation Plan document.

The KIA's rationale for using a higher cost for engineering was based on the potential loss of expertise and knowledge related to a bankruptcy scenario. The discussions between the KIA, AEM and AANDC determined that there would be limited loss of expertise and knowledge based on the high percentage of the project design work being completed by external consultants and engineers; and storage of all the project design documents with the NWB.

The KIA's rationale for using a higher cost for project management was based on the potential loss of expertise and knowledge related to a bankruptcy scenario. The discussions between the KIA, AEM and AANDC determined that with a reduction in the complexity of the project related to a smaller project footprint and the use of dry stack tailings the project management will also be simplified. In addition, the close proximity of the project to the full service transportation facilities and experienced local contracting community will also simplify project management.