7 September 2010

Ms. Phyllis Beaulieu
Nunavut Water Board
P.O. Box 119
Gjoa Haven
Nunavut, X0B 0J0

RE: Water License 2BB-MEL0914: Response to INAC's Recalculation of Restoration Liability: Meliadine Gold Project: Agnico-Eagle Mines Limited

Dear Ms. Beaulieu,

On June 8th, 2010, Comaplex Minerals Corp wrote to the Nunavut Water Board asking its security deposit be recalculated for the present facility based on the completion of static testing of the waste rock and ore, and upon finding previously hydrocarbon contaminated soil fully remediated. In response to Comaplex's request, INAC has calculated the security for 2013 when the extension to the underground exploration program would be complete. While Agnico-Eagle Mines Limited (AEM)[1] fully expects its security deposit to increase over time to reflect increased development of the site, the purpose of the June 8th letter was to obtain a reduction in today's bonding.

What is missing from INAC's reclamation cost estimate is the proposed use of the box cut, shown below, for isolating PAG ore from the environment and holding any demolished buildings. The volume of material removed in creating the box cut is listed in the table 1 below as 28,852 loose cubic metres of top soil, overburden and waste rock[2]. A conservative estimate of 17,000 m^3 of available space is proposed for reclamation use.

[1] On July 7th, 2010 Comaplex Mineral Corp became a wholly owned subsidiary of Agnico-Eagle Mines Limited.
[2] The actual volume of material removed to create the box cut is 19,234 m^3.

Table 1 Underground Exploration Waste Rock and Ore[1]

Underground exploration program	2007 - 2008		2011 - 2013	
	tonnes	loose m^3	tonnes	loose m^3
Overburden Portal	25,890	19,417	NA	NA
Waste Rock Portal	17,609	9,435	NA	NA
Waste Rock Decline	82,328	44,105	213,190	114,209
Ore	25,521	13,065	22,156	11,460
Total Rock	125,458	66,605	235,346	125,669

[1]Loose cubic metres is calculated by multiplying the actual volume by 1.5

In our original letter of June 8th, it was pointed out that the box cut could hold 13,065 cubic metres of ore[3] and 4,000 cubic metres of demolished buildings, and still be covered with 2 metres of overburden/top soil from the original development. This is to ensure the buried materials are below the active layer and remain frozen year-round. AEM sees this as a viable use of this space for four reasons:

1. Less ore will need to be hauled underground into the decline;
2. The box cut is filled and blocks access to the underground;
3. It creates a gently contoured hill over the box cut, which eliminates any ponding of water over the area; and
4. If any water were to reach the ore and if it did not freeze, it would ultimately drain down the decline[4].

In our letter of June 08th, 2010, Comaplex described in some detail our proposed use of the box cut for the disposal of PAG ore remaining on surface at final closure however it appears that INAC have chosen not to use this approach in their calculation taking a more expensive option (hauling all of the ore back underground). We have seen no justification in INAC work to explain why the more expensive option was selected over the cheaper option proposed by Comaplex. In our view the option proposed by Comaplex meets the reclamation objectives for securing this potentially PAG rock and does not result in an increased residual risk to the environment.

[3] All the ore is ¾" minus in size. It was crushed to allow representative samples for laboratory testing.
[4] The volume of the decline at the end of the underground program in 2013 will be approximately 95,000 m^3.

We wonder if INAC chose to ignore our option of partially filling the box cut with PAG ore[5] because it is not readily covered in the Unit Table of Costs contained in the current RECLAIM model. INAC's August 13th letter states:

> *"The RECLAIM model has been used to develop this estimate. This model has been applied on numerous northern sites and incorporates unit costs derived from actual projects involving comparable work."*

Even if comparable work is not covered in the model, it is not reasonable to dismiss our option. If there is to be continuous improvement in northern mining, all feasible options need to be considered. To do otherwise would restrict better and/or more economically feasible operating procedures from being developed.

INAC's recommendation that part of the waste pad under the ore piles be excavated is not supported by AEM. The present thickness of the waste rock pads keeps the active layer within the pad. If the waste rock pad were reduced in thickness, permafrost degradation can be expected and with it comes a host of unintended consequences. After the removal of the ore to the box cut and underground, the amount of ore remaining on the surface of the waste rock pads would be insignificant relative to the total volume of waste rock present. From static testing, the waste rock has a high buffering capacity and would neutralize any acid resulting from the remaining ore on surface.

In Comaplex's earlier letter, ore would be moved into the box cut using a loader, truck and dozer at a conservative cost of $4.00 per loose cubic metre for a total of $52,260. It is recognized the anticipated 11,460 loose m^3 of ore following completion of the 2011 – 2013 underground program would need to go underground. This would be done by trucking the ore to and dumping it down the ventilation rise. A scope tram would move the ore from the bottom of the rise to its final resting spot underground. Other materials to go underground would be handled in an identical manner. This avoids the more expensive option of using a scoop tram to pick up materials on surface and move it underground.

AEM supports the excavation and disposal of contaminated soil underground and this is reflected in the revised Abandonment and Restoration Plan, August 2010. However, there is an inconsistency in RECLAIM model in regards to the unit cost to move contaminated soil underground, $16.07, versus moving ore underground, $27.56. It is only reasonable to use the same unit cost for moving both contaminated soil and ore. Using the lower unit cost, it would cost the cost $171,960 to move 11,460 m^3 of ore underground. The combined cost of moving ore underground and placing it in the box cut would be $224,220. INAC's cost for moving all the ore underground is $631,124.

[5] INAC states: *"Backfilling of the portal area to prevent access. The overburden slopes around the portal box cut are flattened to be stable when a pond ultimately forms at this location."* AEM does not feel it prudent to allow the establishment of a pond over the portal area. The reclaimed area should shed water so as to prevent any long term interaction of water with till and waste rock.

The table below summarizes the major changes that AEM feels should be made to the 2013 RECLAIM estimate.

INAC Activity / Material	Quantity	Unit Cost	INAC cost	AEM cost	Reason for Change
Waste Oil Disposal fee	2000	$1.12	$2,240	$0	Waste oil is delivered to a company in Rankin Inlet that uses it for heating.
Haul demolished buildings underground	32 scoops	$138	$4,416	$500	The buildings would be disposed of in the box cut, not underground.
Haul 2007 – 2008 ore underground	13, 065 m^3	INAC $27.56/$m^3$ AEM $4.00/$m^3$	$336,213	$52,260	AEM proposes to place this ore in the box cut, INAC proposed it be placed underground
Haul 2011 – 2013 ore underground	11,460 m^3	INAC $27.56 AEM $16.07	$294,911	$171,960	AEM applied the lower unit cost of $16.07 for disposing ore underground. This is the same unit cost used for soil moved underground.
Fly in cement	8,000 kg	INAC $2.00/kg AEM $0.20/kg	$16,000	$1,600	INAC proposes to use a helicopter to fly in the cement; AEM proposes to use the winter road.
Sub Total			**$653,780**	**$226,320**	
Indirect Costs (Eng.)		**5% of total**	**$32,689**	**$11,316**	
Project Management		**5% of total**	**$32,689**	**$11,316**	
Contingency		**20% of total**	**$130,756**	**$45,264**	
Grand Total			**$849,914**	**$294,216**	

The difference between the two calculations on major items to be changed is $555,698. While INAC sees the 2013 security deposit being $1,333,595, AEM feels a more reasonable bonding would be $777,897 based on the above.

AEM still maintains that the 2010 security for the Meliadine Gold Project should be $337,360 as set out in Comaplex's June 8th 2010 letter to the Nunavut Water Board. Also, recognizing improvements can be expected to the Meliadine Gold Project over the next three years, the security deposit could be increased annually to the end of 2013, providing the extension of the underground amendment is approved by the Board and the program proceeds as planned.

I remain available to discuss this matter further at your convenience and can be reached at 403 609 1222 or john.witteman@agnico-eagle.com.

Yours sincerely,

Original signed by:

John Witteman
Environmental Consultant to Agnico-Eagle Mines Limited

Cc. Luis Manzo, Veronica Tattuinee, Stephen Hartman, Kivalliq Inuit Association
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