AGNICO-EAGLE MINES LTD.
Meadowbank Division

March 5, 2008

Andrew Keim
INAC, Nunavut District
P.O. Box 2200
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Iqaluit, Nunavut
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Dear Mr. Keim,

I would like to start off by apologizing for the long delay in formally responding to your inspections reports from last June. While not an excuse, Agnico-Eagle Mines Ltd. (AEM) has experienced a much longer than expected transition in obtaining full site management control during its purchase of Cumberland Resources and the Meadowbank Project. We appreciate your patience and understanding during this difficult period for AEM.

AEM has now put in place an environmental team with the capacity to adequately address the issues that you have raised. Our on-site environmental team is now led by Mr. Ryan Vanengen, Senior Environmental Coordinator who joined AEM from Azimuth Consulting and brings several years of experience in the baseline sampling that was conducted for the Meadowbank Project. Mr. Vanengen is now working from the Meadowbank site on a two week on – two week off rotational basis. His cross shift is Mr. Sylvain Doire who has recently joined AEM as Environmental Coordinator. Mr Doire joined AEM from the Ministry of Environment in Quebec and brings an environmental inspection background and experience to our team. In addition we have employed an environmental technician (Mr. Nicholas Saucier) who is also based at site working the 2 weeks on – 2 weeks off rotational schedule and spends one week with each of the two Environmental Coordinators. This new team will now provide us capacity to move forward on maintaining an acceptable environmental standard on site. We are slowly transitioning from an exploration based camp to a site ready to begin mine development and thus we are undergoing an attitude and mind set change that we hope will be evident by your next visit.

This letter is intended to provide you with the status of our progress in addressing each of the issues that you identified during your inspection tour of the Meadowbank Project (including the all weather private access road and Baker Lake facilities) conducted on June 25 and 26, 2007.

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Section A responds to the items listed in a letter dated September 11, 2007, entitled "Water license inspection of Meadowbank exploration project June 25th, 2007". Section B responds to the items listed in a letter dated September 10, 2007, entitled "Water license inspection of M&T NUNA camp on Tehek Lake Road construction". Section C responds to the items listed in a letter dated September 2, 2007, entitled "Water license inspection of Meadowbank road construction project (water crossings) conducted June 26, 2007".

Section A: Water license inspection of Meadowbank Exploration Project June 25, 2007

Part A: Scope and Conditions

During the period of inspection a five million litre tank was not observed. The proponent is asked to provide information on the location of the tank to the inspector as soon as possible.

The Bulk Fuel Storage Tank with a nominal capacity of 5 million litres authorized under License 2BE-MEA0507 has not yet been constructed. In 2006 Cumberland Resources completed some initial site preparation for this facility but did not proceed (see Photo 1). AEM intends to construct this bulk storage tank in 2008 in accordance with the detailed designs that were previously submitted to the Nunavut Water Board (NWB). We will advise you and the NWB of the projected start of construction once a contractor has been lined up.

Photo 1: Base and liner of the 5 million litre fuel tank

Additionally, a review of the Nunavut Water Board web site was not able to produce any documentation relating to the assignment of the Meadowbank property license nor an amendment related to the same. The proponent is required directed to provide this information to the Inspector as soon as possible.

In early July 2007, Cumberland Resources became a 100% wholly-owned subsidiary of Agnico-Eagle Mines Limited (AEM). Through a series of steps, AEM amalgamated with Cumberland Resources and Meadowbank Mining Corporation ("Meadowbank" a wholly-owned subsidiary of Cumberland) on August 1, 2007. As a result of this amalgamation, all of the rights, title, interests, liabilities and obligations of Cumberland Resources and Meadowbank Mining are automatically, by law, transferred to and assumed by AEM. Therefore in all License documents,

the terms 'Cumberland Resources`, 'Meadowbank Mining ' and `AEM` are to mean the same entity: `Agnico-Eagle Mines Limited`.

Attached is a copy of our article of amalgamation. Consequently no license assignment was required.

Part B: General Conditions

A 2006 Annual report was found to be complete and included a reviewed A&R plan and supplementary documentation. The Annual report did indicate the construction of a 5 million litre tank was completed under the authority of the new license. Again the Inspector did not note the presence of the tank at the time of the inspection and thus requests the Proponent to provide the information required by item iv of this part (a summary of construction activities) in the 2007 annual report due by March 31st of 2008.

The Bulk Fuel Storage Tank with a nominal capacity of 5 million litres authorized under License 2BE-MEA0507 has not yet been constructed. In 2006 Cumberland Resources completed some initial site preparation for this facility but did not proceed (see Photo 1). If the opposite was stated in the 2006 annual report then this statement is in error. AEM intends to construct this bulk storage tank in 2008 in accordance with the detailed designs that were previously submitted to the Nunavut Water Board (NWB). We will advise you and the NWB of the projected start of construction once a contractor has been lined up.

Within 90 days of completion of construction of this Bulk Fuel Storage tank AEM will provide the following information to the Nunavut Water Board and the inspector;

i. The Approval for construction issued by the Fire Marshall;
ii. As-built drawings (signed and stamped);
iii. A summary of the construction including the documentation of field decisions that deviate from construction drawings and specifications: and
iv. Any data used to support these decisions.

As per Part E, item 9 of the February 08th renewal (2BE-MEA0813).

Additionally, as per item 9, Part J of Amendment 1, the licensee is required to provide the outlined information to the board within 6 months of the construction of the Bulk fuel storage tank.

AEM will submit to the NWB for approval a plan for environmental monitoring of the bulk fuel storage tank containment area within 6 months of the completion of construction. The plan will be consistent with the terms and conditions as set out in Part D, Item 8 of the February 8, 2008 renewal (2BE-MEA0813).

Part C: Conditions Applying to Water Use

Water for drilling operations must not exceed 50 Cubic Meters per day per drill. It is highly recommended that flow meters be installed on pump lines so accurate measurements can be recorded. Extrapolation of the quantity of water used based on the run time of a pump or the number of times a tank is filled is not adequate and will not be accepted in future inspections.

AEM has addressed this issue with its diamond drill contractor (Boart-Longyear) and has asked them to retrofit in line flow meters to all of their drill water supply pumps used on the Meadowbank Project. However our contractor and AEM exploration personnel have pointed out that in their experience keeping such flow meters operational during severe winter conditions is extremely problematic and results in poor data and loss of productive drilling time. Our exploration personnel believe that alternative means of estimating water flow rates during periods of severe cold and wind conditions should be kept as viable alternatives such as pump running times and periodic flow tests.

Can you please assist us by providing any information that you may have encountered in your inspection tours of other northern exploration sites as to how others are overcoming this problem? It is our intent to comply with your directive relating to continual use of such flow meters and we will do our best to meet this directive. Any experience or information on how this is being done elsewhere would be very helpful.

Part D: Conditions Applying to Waste Disposal

During the period of inspection two incinerators were noted on site. The capability of the units to meet the Canada-wide Standards for Dioxins and Furans and the Canada-wide Standard for Mercury Emissions was not reviewed with the proponent. The licensee is reminded that this standard must be met by the date of the next inspection if not already achieved.

The two small exploration camp incinerators that you observed at the Meadowbank site pre-date the adoption by Nunavut of the Canada Wide CCME guideline for Dioxins and Furans and Mercury in emissions from incinerators. These units are not dual chambered forced air high temperature incinerator units. AEM has committed to adopting these guidelines for incinerator operations for the Meadowbank Mine and thus once the Type A Water License is issued AEM will be purchasing and installing a new incinerator unit designed to meet these guidelines.

It should be noted that:

a) Dioxins, furans and mercury in incinerator emissions are best controlled by keeping the sources of these compounds out of the waste to be incinerated. At Meadowbank these incinerator units are used to burn putrescible organic wastes from the kitchen and combustible packaging materials that have been in contact with food material so that the risk of disposing or storing garbage that could otherwise give off odours that would attract wildlife is minimized. Typically these types of materials are not significant sources of dioxins, furans and mercury; and

b) The water license does not mandate that older incinerator units be replaced to meet these new guidelines.

The location of the grey water sump was a matter of concern for the Inspector. The layout of the camp at one time may have allowed the grey water to be discharged out beyond the exterior of the camp boundary. However, with the obvious expansion that was on-going during the inspection period the location of the grey water sump was found to be in the centre of the new camp layout. A verbal direction was given to Mr. Achambault to address this issue and provide information back to the inspector once completed.

The grey water discharge line and sump was extended in 2007 and is now directed outside of the camp boundaries (as noted by Inspector Ningeongan on a subsequent visit). The relocated discharge line discharges onto a rock armoured area to prevent erosion of localized material.

Part E: Conditions For Camps, Access Infrastructure and Operations

The licensee is reminded that following construction of the airstrip a report as outlined in section 5 (i-v) was required within 60 day of completion of the strip. A review of the Nunavut Water Board FTP public registry did not produce a copy of this report. The licensee is directed to provide this report by March 31st 2008 for inclusion with the annual report for the 2007 year if not already submitted. A copy of this report must be forwarded to the Inspector upon completion as well.

AEM has not yet completed construction of the proposed Meadowbank airstrip. At the current time only 260 m of the planned 900 m long airstrip has been completed. AEM will submit a report as required under Section 5 (i. to v) within 60 days of completion of the construction of this on-site airstrip. This work is scheduled for completion in 2008.

The licensee is reminded that within 90 days of the final construction of the Bulk Fuel Storage Tank the licensee was required to provide the following information to the Nunavut Water Board; i. the approval for construction issued by the fire marshall; ii. As built drawings (signed and stamped); iii. A summary of the construction including the documentation of field decisions that deviate from construction drawings and specifications; and iv. Any data used to support these decisions.

Within 90 days of completion of construction of this Bulk Fuel Storage tank AEM will provide the following information to the Nunavut Water Board and the inspector;

i. The Approval for construction issued by the Fire Marshall;
ii. As-built drawings (signed and stamped);
iii. A summary of the construction including the documentation of field decisions that deviate from construction drawings and specifications: and
v. Any data used to support these decisions.

As per Part E, item 9 of the February 08th renewal (2BE-MEA0813).

A review of the Nunavut Water Board FTP site found document # 060719 2BB-MEA Stamped Portion and Signatures. These documents were dated received by the Board on July 19th of 2006, the day before this issuance of the amendment to the license requiring submission of As-built Drawings (signed and stamped). The Inspector is unsure if this document reflects the As-built documents or the initial plans submitted for approval. The Licensee is asked to provide clarity to this issue as soon as possible.

The document referenced is the detailed design documents for the proposed bulk fuel storage facility at the Meadowbank site. It was not the As-built Drawings (signed and stamped) for Bulk fuel storage tank but the detailed design plans (signed and stamped) submitted for approval. The As-built Drawings will be submitted within 90 days of the final construction of the Bulk Fuel Storage Tank.

Part F: Conditions Applying To Drilling Operations and Trenching

The License is required to provide base-line water quality conditions prior to conducting any on-ice drilling. The results of this sampling program are to be submitted to the Nunavut Water Board. A review of the Nunavut Water Board FTP site produced a Water Analysis report submitted February 17th, 2005. This report only included testing for Coliform Bacteria which is insufficient information to develop a base line water quality assessment for the area surrounding the Meadowbank project.
The Licensee is directed to comply with this section and submit results to both the Nunavut Water Board and the Inspector prior to beginning any new lake or Ice drilling in the coming winter season year.

AEM acknowledges this requirement and will immediately initiate actions in future to ensure that water sampling is routinely done and reported to the NWB to establish water quality conditions prior to and upon completion of any drilling program through lake ice.

It should be noted that Cumberland Resources completed an extensive baseline aquatic ecosystem sampling program of the lakes in the Meadowbank Project area as part of the environmental impact statement (EIS) submitted under the NIRB process. The baseline reporting includes water quality data, for a full suite of parameters, in lakes throughout the region and thus provides a good picture of the "prior" condition. In addition, baseline water quality data was collected in the summer of 2006 and 2007, and is planned again for 2008 from the local lakes as part of our ongoing aquatic effects monitoring program. The water quality results for 2006 and 2007 will be submitted to the NWB by March 31, 2008 as committed to the NWB at the Type A Water License Technical Meeting. This data provides a look at the "after" condition.

A copy of the 2005 Baseline Aquatic Ecosystem Report is attached.

Part G: Conditions Applying to Modifications

No response required.

Part H: Conditions Applying To Spill Contingency Planning

The licensee is reminded that section 5 of this part requires the licensee to ensure that any equipment maintenance and servicing be conducted only in designated areas and to implement special procedures to prevent spills of these products from entering the environment.

Spill prevention and management tools (including spill kits and absorbents) are in place at Meadowbank for the prevention and protection of spills entering the environment. As the mine progresses, AEM is committed to updating and providing the best available technology for spill prevention and management.

Part H: Conditions Applying To Abandonment and Restoration

No response required.

Part I: Conditions Applying To The Monitoring Program

The proponent is reminded that all usage of water for domestic operations must be recorded and available for inspection. It is highly recommended by the inspector that a flow meter be installed on the intake water line of each drill in operation so accurate measurements can be recorded. Extrapolation of the quantity of water used based on the run time of a pump or the number of times a tank is filled is not adequate and will not be accepted in future inspections.

AEM has addressed this issue with its diamond drill contractor (Boart-Longyear) and has asked them to retrofit in line flow meters to all of their drill water supply pumps used on the Meadowbank Project. However our contractor and AEM exploration personnel have pointed out that in their experience keeping such flow meters operational during severe winter conditions is extremely problematic and results in poor data and loss of productive drilling time. Our exploration personnel believe that alternative means of estimating water flow rates during periods of severe cold and wind conditions should be kept as viable alternatives such as pump running times and periodic flow tests.

Can you please assist us by providing any information that you may have encountered in your inspection tours of other northern exploration sites as to how others are overcoming this problem? It is our intent to comply with your directive relating to continual use of such flow meters and we will do our best to meet this directive. Any experience or information on how this is being done elsewhere would be very helpful.

AEM has ordered and is now installing flow meters on the fresh water intake line to the Meadowbank camp to measure domestic water use.

Records of all hazardous wastes transported off site along with the location and name of the approved disposal site are also required and will be inspected during the next inspection.

To this point in time AEM has not transported any hazardous waste material from the Meadowbank site for off-site disposal. AEM has made initial contact with and is in the process of applying to the GN DOE for a hazardous waste generating number. Currently all waste is being consolidated on site and prepared for off site shipment, hopefully to start in the summer of 2008. All materials shipped from site will be sent to approved hazardous waste disposal facilities in the south and will be manifested in accordance with the GN DoE requirements.

The licensee is reminded that prior to the discharge of any wastewater collected in any trenched sumps or the constructed bulk fuel storage tank secondary containment, the licensee is required to sample the water and have it analyzed for the following;

Total Suspended Solids	**Total Arsenic**	**Total Cadmium**
Total Ammonia	**Total Chromium**	**Total Copper**
Total Cobalt	**Total Iron**	**Total Manganese**
Total Nickel	**Total Lead**	**Total Zinc**
pH	**Conductivity**	**Oil and Grease (HEM)**
BTEX (Benzene, Toluene, Ethylene and Xylene)		

The Licensee is directed to provide the results of these tests to the Inspector as soon as possible and to include copies with the annual report for the 2007 year.

To date AEM has not created any trenched sumps or discharged any wastewater or bulk fuel storage tank secondary containment water into the receiving environment. These license requirements will be adhered to upon the first instance of such a discharge.

A review of the Nunavut Water Board FTP site did not find a Plan for the environmental Monitoring of the Bulk fuel storage Tank. The Licensee is directed to provide this report to both the Nunavut Water Board and the Inspector as soon as possible.

AEM will submit to the NWB for approval a plan for environmental monitoring of the bulk fuel storage tank containment area within 6 months of the completion of construction. The plan will be consistent with the terms and conditions as set out in Part D, Item 8 of the February 8, 2008 renewal (2BE-MEA0813).

Non-Compliance:

During the period of inspection a number of items were noted and were discussed with representatives of Agnico-Eagle Mines at that time. The following is a list of items which are to be addressed or brought into compliance either by the date of the next inspection or, as outlined during the inspection, with photographic evidence submitted to the inspector as proof of compliance.

- **Secondary Containment on fuel drums and other hydrocarbons stored on site**

Bulk fuel is currently stored in double walled self contained Envirotanks. AEM acknowledges that there are drums of fuel and other hydrocarbons at the Meadowbank site that are not yet stored within secondary containment systems. These issues are being addressed by AEM as the site develops. It is AEM's intent that over time all hydrocarbons and other fuel products will be stored within secondary containment.

- **Addition of Absorbent pads or drip pans in shop and maintenance area to ensure containment of spills while undergoing maintenance. (Section 4 of Part G)**

AEM has purchased additional absorbent pads, spill kits and containment tools to ensure spills are controlled and cleaned-up in the equipment maintenance areas. As AEM transitions to the new facilities, routine monitoring and education of maintenance personnel will improve maintenance shop practices.

- **Submission of required reports, plans, drawings and documents as required under the issued water license.**

All required documents will be submitted to the NWB as required under the license. Dates for the submission of the documents is as listed in the points above.

- **Assignment or Amendment documents related to the transfer of the water license.**

As stated in Section A, Part A, AEM's article of amalgamation is attached to this letter.

- **Water samples (Potable) collected during the period of inspection returned the following results above the limits of the Canadian Council of Ministers of the Environment for Drinking water;**

Result	Guideline
▪ **Aluminium 145 µg/L**	**CCME Guideline <100 µg/L**
▪	

- **It should be noted that Iron results were also elevated but not above guideline and a result indicating that Hexane Extractable Material (Oil and grease) was found in the drinking water. The result was 51.2 mg/L.**

AEM has no knowledge regarding the specific sample location or sampling method referenced here. However background levels of Al in the local lake water do not always meet the quoted CCME guideline value. This is usually a function of suspended matter in the sampled water. Does the inspector know whether this measured drinking water level for Al was higher that the Al level in the Third Portage Lake on that date? AEM appreciates the information and will watch for similar patterns in future sampling of site potable water lake.

AEM is not aware of any requirement in the Type B water license that requires the sampling and reporting of potable water quality on site, or the requirement for potable water to meet CCME guidelines for drinking water. AEM does monitor drinking water to ensure the health and safety of the personnel using the camp water

- **Water samples collected (grey water sump) during the period of inspection returned the following results above the limits of the Canadian Council of Ministers of the Environment for Protection of Aquatic Life;**

Result	Guideline
▪ **Aluminium 144 µg/L**	**CCME Guideline <100 µg/L**
▪ **Copper 22.2 µg/L**	**CCME Guideline 2 – 4 µg/L**

- **It should be noted that Iron results were also elevated but not above guideline and a result indicating that Hexane Extractable Material (Oil and grease) was found in the water. The result was 32.3 mg/L.**

AEM is not aware of any requirement in the water license for grey water discharges to meet CCME guidelines for the protection of aquatic life at the end of pipe. The grey water is discharged at least 30 metres above the ordinary high water mark, thereby these levels are not indicative of water quality within the nearest receiving water. AEM appreciates the information and will watch for trends in its own sampling of these parameters.

Section B: Water License inspection of M&T NUNA camp on Tehek Lake road construction

Part A: Scope and Conditions

No response required.

Part B: General Conditions

The licensee is reminded that by the next inspection the Inspector will be checking the water intake metering system required to be installed as per section 4 of Part B.

As noted in paragraph 2 of the inspection report, all water used and waste generated at camp are both delivered and hauled out by the Municipality of Baker Lake. There is no water intake at this camp.

Part C: Conditions Applying to Water Use

No response required.

Part D: Conditions of Applying to Waste Disposal

During the period of inspection an incinerator was noted on-site. The capability of the unit to meet the Canada-wide Standards for Dioxins and Furans and Canada-wide Standard for Mercury Emissions was not reviewed with the proponent. The licensee is reminded that this standard must be met by the date of the next inspection if not already achieved.

The small camp incinerator that you observed at the Meadowbank site was purchased prior to the adoption by Nunavut of the Canada Wide CCME guideline for Dioxins and Furans and Mercury in emissions from incinerators. This unit is not a dual chambered forced air high temperature incinerator unit. AEM has committed to adopting these guidelines for incinerator operations for the Meadowbank Mine and thus once the Type A Water License is issued AEM will be purchasing and installing a new incinerator unit designed to meet these guidelines.

It should be noted that:

c) Dioxins, furans and mercury in incinerator emissions are best controlled by keeping the sources of these compounds out of the waste to be incinerated. At Meadowbank these incinerator units are used to burn putrescible organic wastes from the kitchen and combustible packaging materials that have been in contact with food material so that the risk of disposing or storing garbage that could otherwise give off odours that would attract wildlife is minimized. Typically these types of materials are not significant sources of dioxins, furans and mercury; and

The water license does not mandate that older incinerator units be replaced to meet these new guidelines.

The proponent is asked to clarify, as per section 7 of this Part which NWB approved facility the removed toilet wastes are being disposed of in. Additionally, as per section 4 of this same part and as listed above the name and location of the approved facility is requested.

All sewage from the NUNA M&T road construction camp is being collected in a holding tank and then transported by tank truck to be co-disposed with the sewage from the Hamlet of Baker Lake (with the approval of the Hamlet) into the sewage lagoon owned and operated by the Hamlet of Baker Lake.

Part E : Conditions for Camps, Access Infrastructures and Operations

No response required.

Part F : Conditions applying to Drilling Operations

No response required.

Part G: Conditions Applying to Spill Contingency Planning

It was noted during the inspection that 5 gallon pails of gear oil, other drums containing petroleum products and large bulk oil storage (motor oil) were being stored without secondary containment. It is also noted that the TEC transfer tank in use within the compound did not have a spill kit beside or adjacent to it.

Spill prevention and management tools (including spill kits and absorbents) are in place at Meadowbank for the prevention and protection of spills entering the environment. As the mine progresses, AEM is committed to updating and providing the best available technology for spill prevention and management.

AEM will ensure that NUNA is aware of these non-compliance issues and will assist NUNA in the proper storage and spill management practices for petroleum hydrocarbons at their work site.

Part H : Conditions Applying To Abandonment and Restoration

The proponent is reminded however that the area used most be free of hydrocarbon contamination upon completion of the project. This will include the remediation of any contaminated soils and ground to the satisfaction of the inspector.

AEM is committed to monitoring and assisting NUNA in the collection and clean-up of the hydrocarbon contaminated soil to the satisfaction of the inspector.

Part I : Conditions Applying To the Monitoring Program

The proponent is reminded that all usage of water for domestic operations must be recorded and available for inspection. It is highly recommended by the inspector that a flow meter be installed on the intake water line of each drill in operation so accurate measurements can be recorded. Extrapolation of the quantity of water used based on the run time of a pump or the number of times a tank is filled is not adequate and will not be accepted in future inspections.

All water used at the NUNA M&T road construction camp is being obtained from the Hamlet of Baker Lake and is paid for by NUNA M&T on a per truck load basis. NUNA M&T report this usage under the road camp water use license.

Records of all hazardous wastes transported off site along with the location and name of the approved disposal site are also required and will be inspected during the next inspection.

To this point in time AEM has not transported any hazardous waste material from the Meadowbank site for off-site disposal. AEM has made initial contact with and is in the process of applying to the GN DOE for a hazardous waste generating number. Currently all waste is being consolidated on site and prepared for off site shipment, hopefully to start in the summer of 2008. All materials shipped from site will be sent to approved hazardous waste disposal facilities in the south and will be manifested in accordance with the GN DoE requirements.

Non-Compliance

During the period of inspection a number of items were noted and were discussed with Mr Danielson at the time. The following is a list of items which are to be addressed or brought into compliance either by the date of the next inspection or, as outlined during the inspection, with photographic evidence submitted to the inspector as proof of compliance.

- **Secondary Containment of fuel drums and other hydrocarbons stored on-site**

AEM will ensure that NUNA is aware of this issue. It is AEM's intent that over time all fuel drums and other hydrocarbons will be relocated into secondary containment facilities.

- **Addition of Absorbent pads or drip pans in shop and maintenance area to ensure containment of spills while undergoing maintenance. (Section 4 of Part G)**

AEM will ensure that NUNA is aware of this non-compliance issue and has adequate absorbent pads, spill kits and containment tools on site to control and clean-up spills. AEM will routinely monitor and educate maintenance personnel to improve maintenance shop practices.

Section C: Water License inspection of Meadowbank Road Construction Project (Water Crossings) conducted June 26, 2007

Part A: Scope and Conditions

At the time of the inspection of the all-weather road, Agnico-Eagle Mines Ltd. had just recently taken ownership and control of the project. At the time of the inspection 4 of 10 bridges had been constructed and 6 of 13 listed culverts were installed. During the inspection it was noted that there were a number of locations where culverts should and will be installed that were not originally listed in the application. These modifications are to be submitted to the Nunavut Water Board.

(The licensee is reminded that any changes in the operating plans or conditions associated with this project, including any variation in the construction or route, creation of previously unidentified lay-down areas or camp sites, construction of sumps for deposit of waste must be submitted to the Nunavut Water Board 30 days in advance of their construction or implementation.)

AEM acknowledges this requirement and in future will submit to the NWB details of any planned modifications along the AWPAR to the NWB, at least 30 days in advance of installation. AEM is currently working with NUNA M&T surveyors to prepare as built drawings of the AWPAR showing culvert locations, bridge crossing details and quarry sites for inclusion in the 2007 annual report under the Water License.

Additionally, a review of the Nunavut Water Board web site was not able to produce any documentation relating to the assignment of the Meadowbank Access Road license nor an amendment related to the same. The proponent is required to provide this information to the Inspector and the Nunavut Water Board as soon as possible.

In early July 2007, Cumberland Resources became a 100% wholly-owned subsidiary of Agnico-Eagle Mines Limited (AEM). Through a series of steps, AEM amalgamated with Cumberland Resources and Meadowbank Mining Corporation ("Meadowbank" a wholly-owned subsidiary of Cumberland) on August 1, 2007. As a result of this amalgamation, all of the rights, title, interests, liabilities and obligations of Cumberland Resources and Meadowbank Mining are automatically, by law, transferred to and assumed by AEM. Therefore in all License documents, the terms 'Cumberland Resources`, 'Meadowbank Mining ' and `AEM` are to mean the same entity: `Agnico-Eagle Mines Limited`.

Attached is a copy of our article of amalgamation.

Part B: General Conditions

A review of the Nunavut Water Board FTP site found a Water Management and Monitoring Plan. (see comments under Part I Monitoring) The licensee is reminded that the Nunavut Water Board must approve of a Water Management Plan and this approval, if supplied should be submitted to the inspector for review within 30 days of receipt of the inspection report.

AEM submitted a Water Management and Monitoring Plan for the AWPAR in March 2007. To date, we have not received any approval or comments from the NWB. Until we are notified otherwise, AEM will assume the plan is complete and operate the AWPAR in accordance with that plan.

Part C: Conditions Applying to the Protection of Water

During the period of Inspection, Mr. Laurier Roy (road construction foreman) stated that there were additional locations identified since construction began that require culvert installation. These areas were marked along the route and are to be identified to the Nunavut Water Board as changes or modifications. The installation of these extra culverts is to meet the objectives of this Part including the protection of surface drainage paths, and preventing erosion under the roadway and sedimentation into water bodies

AEM is working on as-built drawings of the AWPAR and intends to submit to the NWB a list of the culvert installation modifications along the AWPAR as part of the as-built drawings to be submitted with the 2007 water license annual report.

Part D: Conditions Applying to Waste Disposal

No response required.

Part E: Conditions Applying To Construction

No response required.

Part F: Conditions Applying To Drilling Operations

No response required.

Part G: Conditions Applying To Spill Contingency Planning

The Licensee is reminded that pursuant to section 6(2) (g) (i) and (ii) of the Northwest Territories Waters Regulations a spill contingency plan is required to be submitted with the application for a water license and the approved Plan is to be kept on site of operations. This plan was to have been submitted to the Nunavut Water Board within 30 days of the issuance of the current license.

NUNA M&T Services Ltd. was contracted by AEM to build the AWPAR. A spill contingency plan was completed by NUNA for the AWPAR and NUNA camp for the 2006 and 2007 field season. This was submitted to the NWB on behalf of AEM. A copy of the NUNA spill contingency plan is attached.

The licensee is reminded that section 5 of this part requires the licensee to ensure that any emergency equipment maintenance and servicing be conducted only in designated areas and to implement special procedures to prevent spills of these products from entering the environment.

Spill prevention and management tools (including spill kits and absorbents) are in place at Meadowbank for the prevention and protection of spills entering the environment. As the mine

progresses, AEM is committed to updating and providing the best available technology for spill prevention and management.

Additionally, the licensee is reminded that for each spill occurrence, the licensee is required, no later than 30 days after the initial report to the 24-hour spill line, to submit a detailed report to the inspector outlining the amount and type of product spilled and the measures taken to contain and clean up the spill.

AEM is now fully complying with this requirement as evidenced in our reporting of the last two incidents. Where there is a reasonable likelihood of a spill in an amount equal to or greater than the amounts set out in the following table, the spill is reported to the NT-NU 24-HOUR SPILL REPORT LINE and the INAC Manager of Field Operations. As a precaution, if there is any doubt as to whether the quantity spilled meets the minimum reportable thresholds, the spill incident is reported. Furthermore, AEM will maintain a detailed log of all spills of hazardous materials, including non-reportable spills. As part of AEM's overall environmental management system and in the spirit of a continuous improvement of environmental performance, procedures will be implemented to encourage all employees to communicate non-reportable spill incidents.

Spill Quantities that must be Reported to the NT-NU 24-HOUR SPILL REPORT LINE

Transportation Class	***Type of Substance***	***Compulsory Reporting Amount***
1	Explosives	Any amount
2.1	Compressed gas (flammable)	Any amount of gas from containers with a capacity exceeding 100 L
2.2	Compressed gas (non-corrosive, non-flammable)	Any amount from containers with a capacity exceeding 100 L
2.3	Compressed gas	Any amount
2.4	Compressed gas (corrosive)	Any amount
3.1, 3.2, 3.3	Flammable liquid	100 L
4.1	Flammable solid	25 kg
4.2	Spontaneously combustible solid	25 kg
4.3	Water reactant solids	25 kg
5.1	Oxidizing substances	50 L or 50 kg
5.2	Organic peroxides	1 L or 1 kg
6.1	Poisonous substances	5 L or 5 kg
7	Radioactive substances	Any amount
8	Corrosive substances	5 L or 5 kg
9.1 (in part)	Miscellaneous substances	50 L or 50 kg
9.2	Environmentally hazardous	1 L or 1 kg
9.3	Dangerous wastes	5L or 5 kg
9.1 (in part)	PCB mixtures of 5 ppm or more	0.5 L or 0.5 kg
None	Other contaminants	100 L or 100 kg

Spill reports completed by NUNA M&T Services in 2007 have recently been forwarded to AEM in hard copy and are located at the mine. These reports will be included in the AWPAR annual report, due March 31, 2008. In future, all contractors will be required to report all spills to the

AEM environmental team to ensure proper reporting is completed. AEM understands that NUNA M&T Services Ltd. filed these spill reports directly with the Nunavut Spill Reporting process.

Part H: Conditions Applying To Abandonment And Restoration

No response required.

Part I: Conditions Applying To The Monitoring Program

A review of the Nunavut Water Board FTP site did find a Water Management and Monitoring Plan developed for Cumberland Resources by Golder Associates. Further review of the FTP site was not able to produce an approval document from the Nunavut Water Board accepting the plan as complete. The absence of this document and a reading of the comments supplied by the INAC analyst who reviewed the document when released for review by the Nunavut Water Board lead the Inspector to question both the completeness of the document and question whether or not the Plan, as is, has been approved by the Nunavut Water Board.

AEM submitted a Water Management and Monitoring Plan for the AWPAR in March 2007. To date, we have not received any approval or comments from the NWB. Until we are notified otherwise, AEM will assume the plan is complete and operate the AWPAR in accordance with that plan.

Additional to the question of completeness of the plan is an issue of compliance with the plan. Section 4.1 Frequency of the Plan states that sampling reports will be submitted monthly to the Nunavut Water Board. A review of the NWB FTP site does not include submissions of any sampling reports from the Licensee.

AEM acknowledges that no water quality sampling reports for the 2007 season were submitted to the NWB. This was an oversight on our part, as all other monitoring reports are to be submitted on an annual basis. The 2007 water quality reports will be submitted in our annual report (due March 31, 2008), and monthly for the 2008 season.

Non-Compliance:

During the period of inspection a number of items were noted and were discussed with representatives of Agnico-Eagle Mines at that time. The following is a list of items which are to be addressed or brought into compliance either by the date of the next inspection or within the deadlines outlined in the terms of the Inspection Report.

1. **Submission of a Spill Contingency Plan for the Access Road Construction project as outlined in Part G of License 8BC-TEH0708.**

A spill contingency plan was completed by NUNA for the AWPAR and NUNA camp for the 2006 and 2007 field season. This plan was submitted to the NWB. A copy of the NUNA spill contingency plan is attached.

2. **Reports required under Part G (6) (iii) of License 8BC-TEH0708.**

AEM is now fully complying with this requirement as evidenced in our reporting of the last two incidents. Spill reports completed by NUNA M&T Services in 2007 will be included in the

AWPAR annual report, due March 31, 2008. In future, all contractors will be required to report all spills to the AEM environmental team to ensure proper reporting is completed.

3. **A detailed plan of actions taken to reduce or eliminate sedimentation of the river and erosion of the bank at Crossing Number 2 where evidence of rutting caused by heavy equipment crossings was photographed during the inspection (included as attachment).**

It is unclear from the photos provided what sedimentation/erosion issue the inspector is referring to. However, regular monitoring of the road crossings were performed throughout the 2007 season. Any potential areas for erosion or sedimentation of the river were immediately identified to our construction team for remediation.

Prior to the inspector's visit to the AWPAR, several sedimentation issues along the AWPAR were identified to the construction team. Most of the areas/issues were addressed. However, due to rising water levels, remediation of the northern side of the upstream and downstream areas of R02 was called off for safety reasons. In addition, the snow bridge from the north side had melted away, which would have meant entry of the dozer into the channel for about 50 to 70 m. It was determined that this action would pose greater disturbance to the channel than the debris remaining on the snow/ice. Details of these actions are described in technical memos prepared by Azimuth Consulting Group Inc.; these two memos are attached.

No significant sedimentation-related issues were observed in 2007. Turbidity measurements taken at crossing R02 were slightly higher downstream relative to upstream background conditions, but the results were well within the acceptable range (i.e., 8 NTU above background). The turbid water was found primarily in localized pockets (if present at all) along the channel margins and immediately adjacent to the bridge approaches; these collectively comprise a negligible proportion of the channel and discharge as a whole.

4. **As License 8BC-TEH0708 does not include a modification section the licensee is directed by the inspector to provide a list of all additional culverts and other actions taken to control surface drainage along the construction route. This should include photographic evidence and GPS coordinates. This information will be added as an addendum to the annual report under the heading Modifications.**

AEM is working on as-built drawings of the AWPAR and intends to submit to the NWB a list of the culvert installation modifications along the AWPAR as part of the as-built drawings to be submitted with the2007 water license annual report.

5. **The licensee is required to provide the results of samples collected and analyzed as outlined in Part I of license. These results are to be submitted within 30 days of receipt of this Inspection Report to both the Nunavut Water Board and the Inspector.**

The 2007 water quality reports will be submitted in our annual report (due March 31, 2008), and monthly for the 2008 season.

6. **Submission to the Inspector within 30 days of receipt of the Inspection Report a Nunavut Water Board approval of a Water Management Plan.**

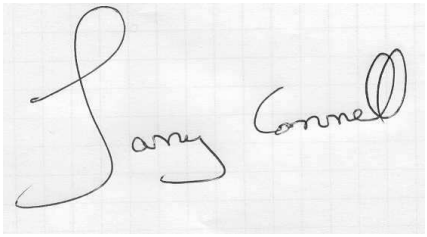
AEM submitted a Water Management and Monitoring Plan for the AWPAR in March 2007. To date, we have not received any approval or comments from the NWB. Until we are notified otherwise, AEM will assume the plan is complete and operate the AWPAR in accordance with that plan.

7. **Submission to the Inspector within 30 days of receipt of the Inspection Report a Nunavut Water Board approval of a Monitoring Plan.**

AEM submitted a Water Management and Monitoring Plan for the AWPAR in March 2007. To date, we have not received any approval or comments from the NWB. Until we are notified otherwise, AEM will assume the plan is complete and operate the AWPAR in accordance with that plan.

Again, my apologies for the long delay in formally responding to your inspection reports. We appreciate the issues that you have raised and can assure you that AEM is now taking appropriate action to improve the environmental management for this project. I would be pleased to clarify any of the issues referenced in this letter and look forward to hearing from you regarding your experience with the use of flow meters on the diamond drills under winter conditions.

Regards,
Agnico-Eagle Mines Ltd.



Larry Connell, P.Eng.
Regional Manager of Environment, Social & Government Affairs

cc: Richard Dwyer, NWB
Denis Vaillancourt – AEM Exploration Manager
Louise Grondin, AEM – VP of Environment
Martin Bergeron, AEM - Meadowbank General Manager
Ryan Vanengen and Sylvain Doire, AEM - Site Environmental Coordinators