



Overview

The Agnico Eagle Meadowbank gold mine is a leading example of how flow-through shares (FTS) can act as seed money for exploration activity and the discovery of a mineral resource, eventually leading to the development of a mine. This process creates significant economic opportunities for local communities and governments. The \$30 million in FTS funds raised for Meadowbank contributed to the discovery of a mine that:

- Employs 5% of the labour force of Nunavut (including 400 Inuit, directly and through contractors).
- Has purchased over \$1 billion worth of local goods and services.
- Has contributed almost \$300 million in taxes to various levels of government since 2007.

Location

Meadowbank mine is located in the Kivalliq region of Nunavut, approximately 2,600 kilometres northwest of Ottawa. It is situated 300 kilometres northwest of Hudson Bay and 100 kilometres north of Baker Lake, the nearest community.



Project History

Mineralization at Meadowbank was first discovered in 1983, and is the first of five main gold deposits. Third Portage was discovered four years later in 1987. Cumberland Resources acquired 60% of the Meadowbank deposit in 1994, which is when extensive exploration began (the remaining 40% was acquired in 1997). In the following years, Cumberland conducted exploration programs and by 2007 had spent nearly \$50 million in exploration, leading to the preparation of a feasibility study for an open-pit mine. Agnico acquired Cumberland in 2007 and completed the feasibility study and constructed Meadowbank, which became operational in early 2010.

Financing History

A total of \$30 million was raised via FTS from 1995-2006, most of which (\$18 million) was raised from 1998-2002, a time when it was difficult to raise “hard dollars”. The \$18 million raised via FTS represented 50-100% of the equity financing in these tough years. The table below shows all of the FTS financing done by Cumberland to develop the Meadowbank project.

Year	FTS Financing (CAD)	FTS as a % of Total Financing	Year	FTS Financing (CAD)	FTS as a % of Total Financing
1995			2001	\$2.5 million	100%
1996	\$3.06 million	~20%	2002	\$10.77 million	~48%
1997			2003	\$3.30 million	~8%
1998	\$3.54 million	~60%	2004		
1999			2005		
2000	\$1.30 million	100%	2006	\$5 million	70%
Total: \$30 million in FTS financing					

Impact of Flow-Through

Kerry Curtis, CEO of Cumberland Resources: Flow-through financing “allowed exploration to continue almost without interruption through the post Bre-X scandal ‘dark years’ and directly led to the discovery of the over one-million ounce resource in 2000”.

Meadowbank became the first gold project in the new territory of Nunavut to receive bank financing. In March 2006, three European banks agreed to underwrite a \$250 million loan for the development of the project. Shortly after, Cumberland completed a \$100 million equity financing to secure the initial construction capital. The completion of the debt/equity financing proved that the project was “bankable” and encouraged Agnico to make a friendly, all-share, takeover offer of Cumberland and the Meadowbank property. The takeover concluded in July, 2007 and was valued at \$170 million. Agnico finished the remaining \$826 million in construction of the Meadowbank mine, which became operational in 2010.

Economic Contribution

The construction and operation of Meadowbank mine has contributed significantly to the Territory’s economy.



Employment and Training:

- As of the end of 2015, the mine directly employed 400 local people (directly and through contactors, out of 1,100 in total. Their salaries ranged from \$75,000 to \$100,000. In addition, the mine provides indirect and induced employment opportunities to another 220 Nunavummiut.
- 300 employees (37%) are Inuit, resulting in a payroll of \$24 million per year, out of a total payroll of over \$90 million.
- Agnico has invested \$5 million per year to train Inuit employees. In 2015, 17 employees enrolled in Agnico’s apprenticeship program, representing 25% of all Inuit apprenticeships in Nunavut.

Local Expenditures

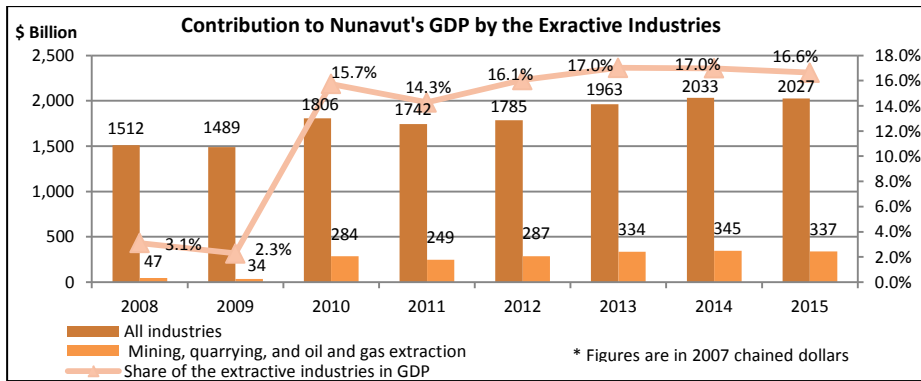
- From 2007-2015, Agnico spent a total of \$3.2 billion in direct expenditures at Meadowbank, out of which over \$1.3 billion (40%) was sourced to local suppliers and spent in Nunavut.

Taxes and Royalties

- Meadowbank generates \$60-\$100 million per year in direct tax revenues including corporate taxes, royalties or other fees and taxes to the federal and territorial governments.

Territorial Economy

- Upon commencing production, the contribution of the extractive industries to Nunavut’s GDP increased from less than 5% (2009) to 18% (2014).
- Subsequent to the acquisition of Meadowbank, Agnico executed a regional exploration program from 2008-2009, resulting in the initial discovery of the Amaruq gold deposit in 2013. This is a significant deposit with a resource estimate of 3.7 million ounces of gold, as of September 15, 2016. A construction decision to commence operation, subject to approval of its permits and from the Agnico Board of Directors, is to be made in 2019.
- The chart below shows the portion of the extractive industry from Nunavut’s GDP, in absolute amounts and percentage wise. The big increase in the contribution in 2010 is attributed to the commencing of production at Meadowbank.



Source: Statistics Canada, System of National Accounts, CANSIM table # 379-0030, Retrieved from: www.stats.gov.nu.ca/en/Economic%20GDP.aspx

Conclusion

As showed in this case study, financial incentives received through the FTS regime ultimately resulted in millions of dollars' worth of benefits in various forms: expenditures in remote areas and in Inuit communities, employment opportunities to local communities, federal and regional taxes and royalties, and a general improvement in the region's economic prospects.

