



**APRIL 2015**

## **ICMI CERTIFICATION SUMMARY REPORT**

# **Pinos Altos Mine Chihuahua, Mexico**

REPORT

**Submitted To:** International Cyanide Management Institute  
1400 I Street, NW, Suite 550  
Washington, DC 20005 USA

Agnico Eagle Mexico S.A. de C.V.  
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Pinos Altos – 1 pdf

**April 15, 2015**

**1406924**



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**1.0 SUMMARY AUDIT REPORT FOR GOLD MINING OPERATIONS**

**Name of Mine:** Pinos Altos Mine  
**Name of Mine Owner:** Agnico Eagle Mines Limited  
**Name of Mine Operator:** Agnico Eagle Mexico, S.A. de C.V.  
**Name of Responsible Manager:** Marco Perea Gallegos  
**Address:** Agnico Eagle Mexico, S.A. de C.V.  
Avenida Mirador No. 7724, Colinas del Valle  
Chihuahua, Chihuahua C.P. 31217, Mexico  
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## 2.0 LOCATION DETAIL AND DESCRIPTION OF OPERATION

Pinos Altos is located in the mountainous region of northern Mexico, approximately 220 kilometers (km) west of Chihuahua (Figure 1). Pinos Altos is 100% owned by Agnico Eagle Mines Limited (Agnico Eagle) and operated by Agnico Eagle Mexico, S.A. de C.V. (Agnico Eagle Mexico), a subsidiary of Agnico Eagle. Pinos Altos has proven and probable reserves containing 2.3 million ounces of gold and 59.4 million ounces of silver (29 million tonnes grading 2.5 g/t gold and 64.3 g/t silver). Pinos Altos poured its first gold in July 2009 and achieved commercial production in November of that year, while underground mining began in the late spring of 2010. Pinos Altos is expected to produce 145,000 ounces of gold as well as by-product silver in 2014, and to average 167,500 ounces of gold per year from 2015 to 2016, with a mine life through 2025.

Pinos Altos is a series of open pits and an underground mine along the Santo Niño Fault. Surface mining at Pinos Altos is carried out at the Santo Niño, Oberon de Weber and San Eligio pits, and, in future, the El Apache pit. Mining is by conventional open pit methods, using shovels and trucks to remove about 12 million tonnes of ore and waste material each year. The underground mining method is sub-level stoping (paste backfill) to extract ore from the Santo Niño, Cerro Colorado, Oberon de Weber and San Eligio deposits. Ore is trucked to surface via a ramp system. At current maximum production, the underground mine can provide 3,000 tonnes of ore per day. Shaft-sinking began in 2012 to increase the underground production capacity to 4,500 tonnes per day. Completion of the shaft will allow better matching of the mine capacity to the mill, which is operating at more than the design of 4,000 tonnes per day.

Most of the Pinos Altos ore is treated in a process plant, with the lower grade ore heap-leached. The conventional, 5,000-tonne/day process plant includes crushing, grinding, gravity concentration and agitated leaching followed by counter-current decantation (CCD). Tailings from the Process Plant are detoxified using an INCO SO<sub>2</sub> cyanide destruct system and then filtered and placed on as a dry stack in a Tailings Management Facility (TMF) or mixed with cement at a paste backfill plant for use as underground backfill. Gold and silver are recovered using the Merrill Crowe method, and a refinery produces gold/silver dore bars on site. The lower grade Pinos Altos ore is treated in a heap leach system designed to accommodate 5 million tonnes of material over the life of the mine, contributing about 5% of the total metal production. The process diagrams are presented in Figures 2 and 3.

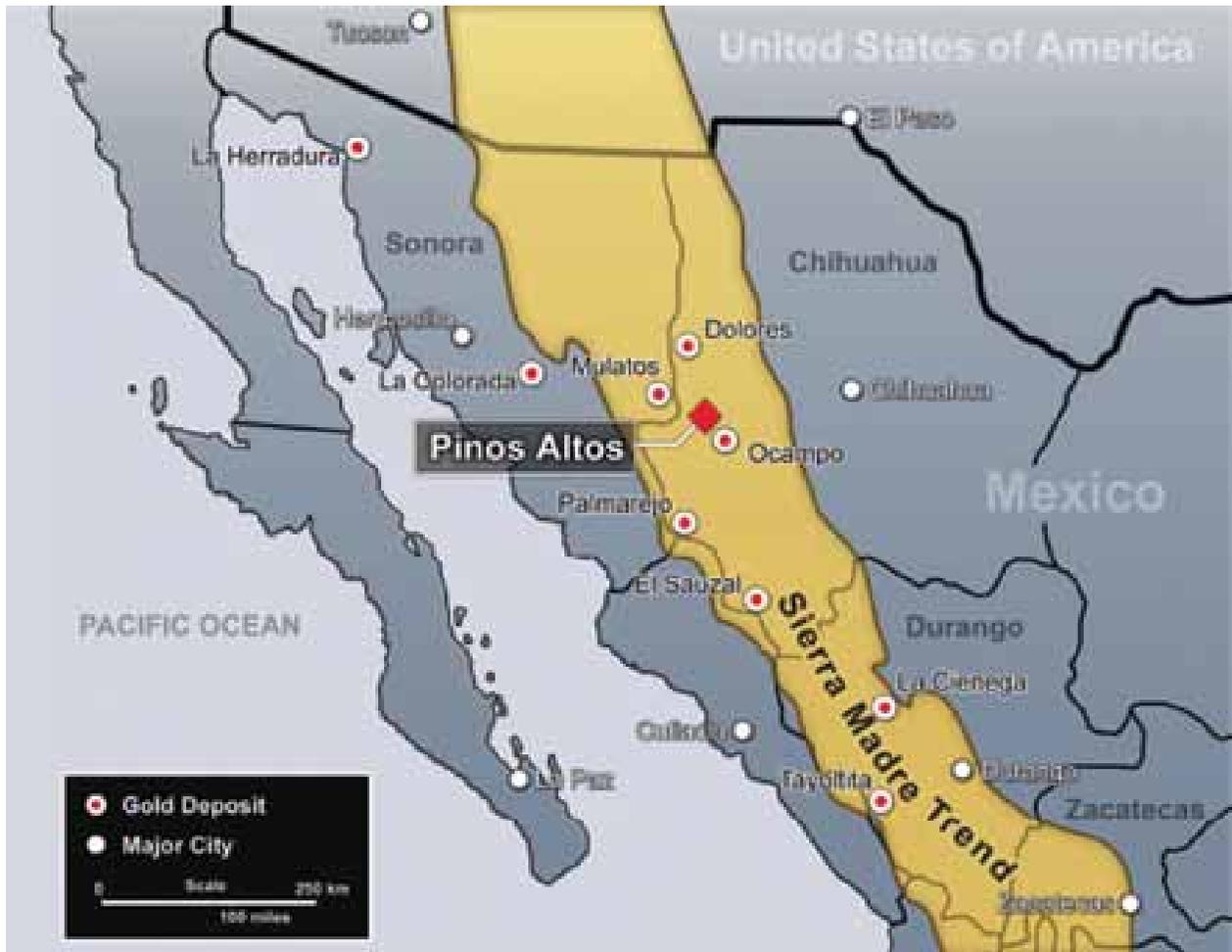


Figure 1: Location Map

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### 3.0 SUMMARY AUDIT REPORT

#### Auditors Findings

in full compliance with

**Pinos Altos Mine is:**  in substantial compliance with **The International Cyanide Management Code**

not in compliance with

**Audit Company:** Golder Associates Inc.

**Audit Team Leader:** Bruno Pizzorni, Lead Auditor and Mining Technical Specialist

**Email:** bpizzorni73@gmail.com

#### Name of Other Auditors

Name, Position	Signature
Ivon Aguinaga, Mining Technical Specialist	

#### Dates of Audit

The initial certification audit was undertaken in two site visits:

- Four days between August 25 and 28, 2014 (Mr. Bruno Pizzorni and Ms. Ivon Aguinaga)
- Two days between November 4 and 5, 2014 (Ms. Ivon Aguinaga)

I attest that I meet the criteria for knowledge, experience, and conflict of interest for Code Verification Audit Team Leader, established by the International Cyanide Management Institute and that I meet the applicable criteria established by the International Cyanide Management Institute for Code Verification Auditors.

I attest that this Summary Audit Report accurately describes the findings of the verification audit. I further attest that the verification audit was conducted in a professional manner in accordance with the International Cyanide Management Code Verification Protocol for Cyanide Gold Mine Operations and using standard and accepted practices for health, safety and environmental audits.

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PRINCIPLE 1 – PRODUCTION

Encourage Responsible Cyanide Manufacturing by Purchasing from Manufacturers that Operate in a Safe and Environmentally Protective Manner

Standard of Practice 1.1: Purchase cyanide from manufacturers employing appropriate practices and procedures to limit exposure of their workforce to cyanide, and to prevent releases of cyanide to the environment

in full compliance with

The operation is

in substantial compliance with

Standard of Practice 1.1

not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 1.1, requiring the operation purchase cyanide from manufacturers employing appropriate practices and procedures to limit exposure of their workforce to cyanide and to prevent releases of cyanide to the environment.

Pinos Altos purchases cyanide from E. I. du Pont de Nemours (DuPont), a producer certified in compliance with the Code. Pinos Altos has a contract with DuPont. Clause 13 of the contract requires the cyanide to be produced at a facility certified as being in compliance with the Code.

DuPont’s production facility in Memphis was initially certified in 2006 and was recertified in 2009 and 2013. In addition, the DuPont transloading facility located in Hermosillo, from which the mine is supplied, was initially audited and certified in 2010 as part of DuPont’s Mexico Supply Chain and was recertified on February 27, 2014.

Pinos Altos only purchases cyanide from DuPont. The auditors reviewed binders of delivery records from January 2014 to the audit date to confirm that Pinos Altos only received cyanide from DuPont.





PRINCIPLE 2 – TRANSPORTATION

Protect Communities and the Environment during Cyanide Transport

Standard of Practice 2.1: Establish clear lines of responsibility for safety, security, release prevention, training, and emergency response in written agreements with producers, distributors and transporters.

[X] in full compliance with

The operation is

[ ] in substantial compliance with

Standard of Practice 2.1

[ ] not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 2.1, requiring that the operation establish clear lines of responsibility for safety, security, release prevention, training and emergency response in written agreements with producers, distributors, and transporters.

Pinos Altos receives solid cyanide in boxes from DuPont. The contract between Pinos Altos and DuPont states that DuPont is responsible for the cyanide transport from its production plant in Memphis, Tennessee, to the mine site. The contract period is from January 1, 2014 to December 31, 2016. Clause 13 of the contract designates, in accordance with the Code, the responsibilities for packaging, labeling, interim storage, security, safety, maintenance, training, and emergency response. Clauses 13 (a) and (d) of the contract specifically state that the designated responsibilities extend to all parties in the cyanide supply chain.

Standard of Practice 2.2: Require that cyanide transporters implement appropriate emergency response plans and capabilities and employ adequate measures for cyanide management

[X] in full compliance with

The operation is

[ ] in substantial compliance with

Standard of Practice 2.2

[ ] not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 2.2, requiring that cyanide transporters implement appropriate emergency response plans and capabilities and employ adequate measures for cyanide management.

Clause 13 (a) and (d) of the contract between Pinos Altos and DuPont requires that all transporters be certified in accordance with the Code. DuPont is responsible for the cyanide transport from its production facility in Memphis, Tennessee, to the mine site. The contract period is from January 1, 2014 to December 31, 2016.

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The DuPont cyanide supply chain was determined to be fully compliant with the Code through an audit approved by the ICMI on August 27, 2010 and recertified in February 27 2014.

Transportes Especializados Segutal SA de CV Segutal (Segutal) is the truck transporter identified in the supply chain audit. The auditors reviewed bills of lading (from January to August 2014) showing that Segutal was the only transporter from DuPont's Hermosillo warehouse to the mine site.

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PRINCIPLE 3 – HANDLING AND STORAGE

Protect Workers and the Environment during Cyanide Handling and Storage

Standard of Practice 3.1: Design and construct unloading, storage, and mixing facilities consistent with sound, accepted engineering practices, quality control/quality assurance procedures, spill prevention and spill containment measures.

in full compliance with

The operation is  in substantial compliance with Standard of Practice 3.1

not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in substantial compliance with Handling and Storage Practice 3.1, requiring that cyanide handling and storage facilities are designed and constructed consistent with sound, accepted engineering practices, quality assurance/quality control (QA/QC) procedures, spill prevention, and spill containment measures.

Pinos Altos has two cyanide warehouses for storing solid cyanide in boxes and two mixing/storage areas. The first cyanide warehouse and a cyanide mixing and storage area (i.e., the cyanide mixing tank and the cyanide storage tank) are located at the Process Plant. The second cyanide warehouse and a cyanide mixing and storage area (i.e., the heap leach cyanide mixing tank and the barren solution tank) are located at the Heap Leach Facilities (HLF).

The cyanide mixing and storage area at the Process Plant, as well as the cyanide warehouse and the cyanide mixing and storage area at the HLF, were designed and constructed in accordance with sound and accepted engineering practices, as stated in two letters prepared by Kappes, Cassidy & Associates (KCA) that include the as-built drawings for these facilities.

The design and QA/QC documentation related to the cyanide warehouse at the Process Plant could not be found during the audit; therefore Pinos Altos commissioned an evaluation of this cyanide warehouse. The evaluation was completed by a professional engineer and was based on the requirements of the Construction Code of the City of Chihuahua and the requirements from the American Institute of Steel Construction (AISC). The evaluation results showed that due to the lack of design and QA/QC documentation and the number of assumptions used for the analysis, it was not possible to certify that the cyanide warehouse was designed and constructed based on local construction codes and AISC requirements. Due to these results, Pinos Altos is substantially compliant under this question and a corrective action plan has been prepared to bring the operation into full compliance. Pinos Altos has

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decided to build a new cyanide warehouse at the Process Plant that will be designed and constructed based on sound and accepted engineering practices. The auditors' conclusion is based on the consideration of good-faith effort, the corrective nature of the deficiency, and the risk to workers and/or the environment, as discussed below:

- Pinos Altos has already prepared a cost estimate and a preliminary design for the new cyanide warehouse to be approved by Agnico Eagle, thus providing evidence of good faith.
- The nature of the corrective action, consisting of designing and constructing the new cyanide warehouse facility based on sound and accepted engineering practices, will be completed within one year of the Code certification date.
- The existing cyanide warehouse does not pose any immediate or substantial risk to workers or the environment, as stated by the professional engineer who conducted the analysis of this facility during an interview conducted by Golder on November 5, 2014. Pinos Altos conducts inspections of the warehouse on a regular basis and no signs of structural issues have been observed. In addition, the auditors observed that the facility was designed with adequate ventilation to prevent the build-up of HCN gas. The facility is also a roofed building with concrete floor to minimize the potential for contact with rain water. The floor is sloped to a drainage ditch to collect any rain water (in the unlikely event that rain would mix with the cyanide dust).

Unloading, mixing and storage areas for solid and liquid cyanide are located away from people and surface waters within fenced and/or gated areas. In addition, the warehouses are locked areas. Both cyanide mixing and storage areas are also fenced and locked areas. Unauthorized access is prohibited to the areas. The potential for releases to surface water and/or human exposures is minimal.

The cyanide warehouses have concrete floors that minimize the potential for seepage, even in the unlikely event that rain would mix with the cyanide dust. Cyanide mixing and storage tanks have locked drainage valves and are installed on reinforced concrete bases and within reinforced concrete secondary containments. The auditors observed that the concrete of the secondary containments and tank bases was in good condition during the audit, without visible cracks. Therefore, the secondary containments and tank bases provide a competent barrier to leakage. Pinos Altos has also installed level indicators and high level alarms to prevent the overfilling of cyanide storage tanks.

Solid cyanide is stored in the two warehouses separate from all other chemicals. Pinos Altos has also isolated the cyanide mix and storage tanks away from incompatible chemicals such as acids, oxidizers and explosives. Smoking, drinking, or eating are prohibited near the cyanide storage areas.

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**Standard of Practice 3.2: Operate unloading storage and mixing facilities using inspections, preventative maintenance, and contingency plans to prevent or contain releases and control and respond to worker exposures.**

in full compliance with

**The operation is**

in substantial compliance with

**Standard of Practice 3.2**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Handling and Storage Practice 3.2 requiring that cyanide handling and storage facilities are operated using inspections, preventive maintenance, and contingency plans to prevent or contain releases and control and respond to worker exposures.

Pinos Altos has developed and implemented procedures to prevent exposure and releases of cyanide during unloading, stacking, mixing and storage. The procedures include operation of critical valves and pumps, handling of cyanide containers, spill cleanup during the mixing, appropriate Personal Protective Equipment (PPE) and the management and disposal of the empty bags and wooden crates. Pinos Altos prohibits the use of the empty bags and wooden crates for other purposes. Empty bags are rinsed 3 times and then are temporarily stored with the wooden crates in the warehouses until they are transferred by a contractor to an outside facility for final disposal. Pinos Altos tracks the cyanide containers by serial number and checks these numbers against the serial numbers of the empty containers prior to their transport to an outside facility. This ensures that no empty containers stay at the site or are used for other purposes. The transport of empty cyanide containers is done by the company "Servicios Ecologicos y Recicladados S. de R.L. M.I with the Secretariat of Environment and Natural Resources (SEMARNAT) authorization No. 08-032-PS-I-2-10 and permit No. S.C.T. 0822ser010402TJA. The empty containers are transported as hazardous wastes to a facility operated by RIMSA, a company with the corresponding hazardous waste related permits.

The procedures for cyanide unloading and mixing include procedures for handling cyanide containers with a forklift to prevent rupturing or puncturing during cyanide unloading and the transfer of the containers from the warehouse to the cyanide mixing area. Procedures also require that cyanide containers be stacked no more than two high during unloading of trucks or within the warehouse. The procedures specify the required PPE and require that an observer be present during the cyanide mixing.

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PRINCIPLE 4 – OPERATIONS

Manage Cyanide Process Solutions and Waste Streams to Protect Human Health and the Environment

Standard of Practice 4.1: Implement management and operating systems designed to protect human health and the environment including contingency planning and inspection and preventative maintenance procedures.

in full compliance with

The operation is  in substantial compliance with Standard of Practice 4.1

not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in substantial compliance with Standard of Practice 4.1, requiring that the operation implement management and operating systems designed to protect human health and the environment including contingency planning and inspection and preventive maintenance procedures.

The Pinos Altos cyanide facilities (i.e., those with WAD cyanide greater than 0.5 mg/L) are:

- Process Plant, consisting of:
- Cyanide Warehouse,
- Cyanide Mixing Area (including the cyanide mixing tank and the cyanide storage tank)
- Milling Area
- Leaching Area (5 leach tanks)
- Thickener Area (6 CCD Thickeners and one Grinding Thickener Tank)
- Gravity Circuit (Acacia Reactor Area)
- Merrill Crowe Plant (including a barren solution tank, a clarified pregnant solution tanks, zinc cone, deaeration tower, clarifiers, and precipitate filter presses)
- Detox Area (an INCO SO2 cyanide destruct system with two Detox tanks)
- Tailings Filtration Area
- A pond located in the Filtration Tailings Area called "Filters Pond" ("Pileta de Filtros" in Spanish)
Heap Leach Facilities, consisting of:
- Heap Leach Pad (Phase I with 5 pad cells)
- 3 Ponds (i.e., Pregnant Pond, Intermediate Pond and Excess Pond)
- Cyanide Warehouse
- Cyanide Mixing Area (including the Heap Leach Cyanide Mixing Tank and Barren Solution Tank)



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- Tailings Management Facilities
  - Dry Tailings Stack Facility Sedimentation Pond
  - Associated water management drains and pipes
- Paste Backfill Plant (Pinos Altos provided 3 months of data showing that the filtered tailings sent to the plant from the Filtration Area have WAD cyanide concentrations > 0.5 mg/L. Once the filtered tailings are mixed with cement, the paste has concentrations of WAD cyanide < 0.5 mg/L).
- Associated pipelines, pumps, valves, and appurtenances

The Standard Operational Procedures (SOPs) and plans detail the risks involved with each cyanide task and adequately describe safe work practices. Each SOP details task specific procedures, PPE requirements, and the process area and persons responsible for verifying that the procedures for each cyanide task are appropriately implemented. Pinos Altos has also developed and implemented plans and procedures that identify the design and operating criteria for safe management of cyanide such as the freeboard required for safe pond operation; the depth of the design storm considered for the pond design and operation; the cyanide concentration goals after cyanide detoxification; the required pH to be maintained in the process to prevent HCN formation; and others.

Pinos Altos has prepared and implemented a written procedure for managing changes in facilities or practices. The procedure covers environmental and safety aspects, and includes a form that must be filled out and signed by the initiator of the requested change and the process, environmental, projects and safety managers. The form includes the evaluation of potential impacts, identification of measures to prevent/reduce the potential impacts, proposed implementation of the change, and a verification of the implementation of the requested change to confirm that the change was implemented as required. The auditors reviewed an example of a completed evaluation to verify compliance. The evaluation included the identification of potential impacts and permit requirements. The evaluation also includes the measures to be implemented to meet with Code requirements and Mexican regulations, as well as measures to reduce any potential safety and environmental risks.

Pinos Altos has developed and implemented procedures that address upset conditions and contingencies such as scheduled and unscheduled shutdowns at the Process Plant; the immediate response to a spill in case of spills; cleanup measures for impacted soil; decontamination procedures; confirmation sampling; disposal of contaminated materials; power failure; upset conditions related to water management in the ponds; contingencies associated with earthquakes, elevated phreatic surfaces, extreme rainfall, power failures, debris slides and fires in the TMF; and temporary closure of the operation.

Pinos Altos has developed and implemented inspection programs for their cyanide facilities. Pinos Altos inspects the cyanide facilities at a reasonable frequency for each type of inspection. The inspection

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frequencies are daily to monthly, as well as per event (in the case of pre-work inspections for cyanide mixing and unloading). Inspections cover tanks, pumps, valves, secondary containments, pipelines, ponds, leak detection and collection systems at leach pads and ponds, TMF, wildlife presence and mortality, and surface water diversion channels. Auditors reviewed examples of the inspection records to verify that the inspections are conducted as required. Auditors consider that these inspections on the established frequency are sufficient to assure and document that the cyanide facilities are functioning within design parameters.

The Pinos Altos preventative maintenance program is designed to assure the continuous and safe operation of the equipment for cyanide management. Pinos Altos uses the JD Edwards software to manage its preventative maintenance activities, both preventive (scheduled) and corrective (unscheduled). The JD Edwards system is used for identifying, assigning responsibility, scheduling, and tracking the completion for the maintenance activities. The system is also used to identify future activities for regular preventative maintenance and includes information on the task requirements (such as level of priority) and completion. The preventive maintenance program includes elements necessary for cyanide safety such as fixed HCN monitors, back-up generators, pH meters, non-destructive testing of the cyanide storage tanks, cyanide valves and tanks, cyanide pumps, and level indicators of tanks and sumps. Auditors reviewed examples of closed work orders related to corrective and preventive maintenance of the cyanide equipment in order to verify that the cyanide equipment is checked and maintained as required. The records showed that Pinos Altos opened work orders, completed the scheduled maintenance, and closed the work orders in a timely and consistent manner.

The auditors observed during the site visits that some of the pumps in the CCD and Merrill Crowe areas leaked excessively. The average free cyanide concentration in the CCD and Merrill Crowe areas is approximately 280 and 470 ppm, respectively. Auditors reviewed maintenance records of these pumps to verify that they have been maintained as required. Even though the pump seals are readjusted to prevent leaks during weekly maintenance activities, the sealing systems of these pumps are continuously failing and therefore need to be replaced with a more efficient sealing system. Pinos Altos has identified this issue and is in the process of evaluating two different types of packing for these pumps (a Garlock packing and a Weir packing). Due to this issue with the pumps, the auditors consider that Pinos Altos is substantially compliant under this question and a corrective action plan has been prepared to bring the operation into full compliance. The auditors' conclusion is based on the consideration of good-faith effort, the corrective nature of the deficiency, and the risk to workers and/or the environment, as discussed below:

- Pinos Altos started testing two seal systems in November 2014, thus providing evidence of good faith.

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- The nature of the corrective action, consisting of replacing the existing sealing system of the pumps presenting excessive and continuous leaks in the CCD and Merrill Crowe areas with a more efficient system, will be completed within one year of the Code certification date.
- The existing leakage from the pumps does not pose any immediate or substantial risk to workers or the environment. Pumps are located within reinforced concrete secondary containment and the leaking solution is collected in the sumps located in the secondary containments. Access to the areas where these pumps are located is restricted to authorized workers only. Workers are aware of this issue related to the pumps, wear a portable HCN monitor to conduct any activities in these areas, are familiar with the HCN concentrations being managed, and have been trained in procedures in case of cyanide exposures (verification was done by interview with employees working in these areas during the site visits).

Pinos Altos has 7 generators (each with 1,680 KW of capacity) to operate critical functions at the Process Plant during power outages. Critical areas include the control room, cyanide mixing areas, leaching area, thickeners, process pumps, detox area, filtration area, TMF and the HLF pumps pumping to the Process Plant. The generators are tested monthly and maintained every 1,000 hours of operation.

**Standard of Practice 4.2: Introduce management and operating systems to minimize cyanide use, thereby limiting concentrations of cyanide in mill tailings.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 4.2**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 4.2, requiring that the operation limit the use of cyanide to that optimal for economic recovery of gold so that the waste tailings material has as low a cyanide concentration as practical.

Pinos Altos has adjusted the cyanide addition rate as necessary when the process design changed. No changes in ore characteristics have occurred since the operation started. An addition rate in the leach tanks of 2,000 ppm of free cyanide was originally considered in the design. In 2011, Pinos Altos changed their processing practices to inject oxygen into the dynamic leaching circuit with the purpose of reducing cyanide consumption in the system and increasing the dissolution kinetics. Metallurgical testing was done to evaluate this process change and determine the optimal addition rate for the system. Cyanide concentrations of 300, 500, 700, and 1,000 ppm in the leach tanks were evaluated. Testing results showed an optimal additional rate in the leach tanks of between 800 and 900 ppm. At the time of the August site visit, the average dosification rate was 830 ppm of free cyanide. Pinos Altos has adopted one control strategy for making real-time adjustments to the cyanide addition rate. Pinos Altos measures free cyanide by titration per shift and adjusts the cyanide addition rates in Leach Tank #1 and Leach Tank #5, as needed, to maintain an average free cyanide concentration of 830 ppm in the leaching circuit. Auditors

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reviewed testing results and daily production reports, as well as interviewed the Process Plant Superintendent, to verify compliance.

**Standard of Practice 4.3: Implement a comprehensive water management program to protect against unintentional releases.**

in full compliance with

**The operation is**  **in substantial compliance with** **Standard of Practice 4.3**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in substantial compliance with Standard of Practice 4.3, requiring the operation to implement a comprehensive water management program to protect against unintentional releases.

Pinos Altos has developed a probabilistic water balance model that tracks water flow throughout the HLF (including the HLF and the 3 ponds). This model was prepared by KCA for sizing the ponds. Pinos Altos was in the process of developing a site-wide probabilistic water balance to incorporate all the operational areas, including the Filters Pond and the Sedimentation Pond as part of the TMF.

The site-wide water balance model is being developed using as a basis the initial design HLF water balance. The auditors estimated that the model was only 80% completed by November 2014. Auditors reviewed the HLF design water balance and the GoldSim modules of the site-wide water balance that were already completed. Based on this, auditors verified that the model incorporates precipitation, evaporation, moisture content of ore, irrigation areas and rates for the pad, representative climate data and a 24 hour draindown from the pad in case of a power outage or pump failure. The model also considered the expected average rainfall plus a 100-year, 24-hour storm event superimposed on the facilities as well as the required pond freeboard. Because the model was still under development by the time of this audit, the auditors could not verify if additional parameters related to the TMF water management such as water inflows for direct precipitation, and recovered water from the dried tailings were was considered in the model. This will be verified once the model is finalized.

The auditors consider Pinos Altos to be substantially compliant under this question and a corrective action plan has been prepared to bring the operation into full compliance. The auditors' conclusion is based on the consideration of good-faith effort, the corrective nature of the deficiency, and the risk to workers and/or the environment, as discussed below:

- Pinos Altos was in the process of completing the site-wide water balance model (approximately 80% of the model was completed by November 2014), thus exhibiting good faith.



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- The nature of the corrective action to complete the water balance model is not overly complex and can be accomplished in less than a year.
- The partial water balance model does not pose a substantial risk to workers or the environment because it covers the facility with the highest risk for overtopping (i.e., HLF and associated ponds) and is being extended to the facilities with minimal risk for overtopping (i.e., the dry stack TMF that includes a Sedimentation Pond and the Process Plant that includes the Filters Pond). Moreover, Pinos Altos has already defined the maximum operating volumes based on the design criteria and implements procedures (such daily pond inspections) to verify that levels in the ponds are maintained below the maximum operating levels.

Monitoring is provided to track pond levels and assess the pond freeboards. Actual versus design-based climate data have been compared to verify that the 100-year, 24-hour design storm has not occurred at the site during the period of record. It is understood that the data comparison will continue to be conducted on an ongoing basis and utilized in the water balance as applicable.

**Standard of Practice 4.4: Implement measures to protect birds, other wildlife, and livestock from adverse effects of cyanide process solutions.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 4.4**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 4.4, requiring the operation implement measures to protect birds, other wildlife, and livestock from adverse effects of cyanide process solutions.

Pinos Altos provided analytical data for the Intermediate, Pregnant, Excess, Filters and Sedimentation Ponds from 2014 and 2015. Analytical data for the Pregnant and Intermediate Ponds showed that concentrations of WAD cyanide in these ponds were greater than 50 mg/L. Analytical data for the Excess Pond showed that concentrations of WAD cyanide were less than 50 mg/L from June to July 2014 and from October 21, 2014 to April 7, 2015, and greater than 50 mg/L from August to October 20, 2014. These elevated concentrations in August and October 2014 were due to the discharge of process water from the Pregnant and Intermediate Ponds during the wet season. The average WAD cyanide concentrations in the Filters Pond (that receives solution collected in the Excess and Sedimentation ponds) was 59.3 mg/L from September 8, 2014 to October 20, 2014 and less than 50 mg/L from October 21, 2014 to March 1, 2015. WAD cyanide concentrations in the Sedimentation Pond from January 2014 to March 2015 were below 50 mg/L.

The following corrective actions were implemented by Pinos Altos to demonstrate that 1) WAD cyanide concentrations in the Excess Pond and Filters Pond are maintained below 50 mg/L, and 2) that the

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Pregnant Pond and Intermediate Pond, which have WAD cyanide concentrations greater than 50 mg/L, have measures to restrict wildlife and livestock from access to cyanide process solution:

For the Pregnant and Intermediate Ponds:

- Pinos Altos has installed netting over the Pregnant and Intermediate Ponds. Installation started in November 2014 and was completed in April 2015. Pinos Altos provided photographs of the netting installed over these two ponds as evidence of the installation completion. The auditors found this evidence appropriate and acceptable to demonstrate that the Pregnant and Intermediate Ponds are in compliance with the Code.

For the Excess and Filters Ponds:

- 1) The discharge of cyanide process solution into the Excess Pond only during upset process conditions and abnormal weather conditions. In those cases, the discharged solution will be pumped back to the process system in a timely manner to maintain the concentrations in this pond below 50 mg/L. Without discharge of cyanide process solution into the Excess Pond during normal operations, Pinos Altos reduced and maintained WAD cyanide concentrations in the Excess Pond and in the Filters Pond (that receives the solution collected in the Excess Pond and the Sedimentation Pond) below 50 mg/L. The auditors reviewed analytical data for WAD cyanide concentrations from the Excess Pond from October 21, 2014 to April 7, 2015 and from the Filters Pond from October 21, 2014 to March 1, 2015 to verify compliance. Analytical data (as presented above) showed that WAD cyanide concentrations in the Excess and Filters Ponds have been maintained below 50 mg/L and that no cyanide solution has been discharged into the Excess Pond since October 21, 2014. These results have been confirmed by analytical WAD cyanide data from an external accredited laboratory (Analitica del Noroeste S.A. de C.V. (Analitica del Noroeste)) from monthly sampling at these two ponds for the same period of analysis.
- 2) Removal of existing process solution from the Excess Pond to remove deposited sediments located in the bottom of the pond and conduct hydrostatic tests of the pond liner and any repairs, if needed. Then, the pond will be refilled with fresh water to the required minimum volume. A minimal volume of fresh water (approximately 20,000 m<sup>3</sup>) will be maintained in this pond as recommended by KCA, when cleaning activities and hydrostatic tests including any liner repairs (if needed) are completed, in order to provide resistance to existing groundwater pressure and prevent the geomembrane to rise (as indicated by Juan Campa, Chief of the Heap Leach Facilities). Pinos Altos emptied the pond on January 6, 2015 and completed the removal of the sediments on February 27, 2015. Photographs of the sediment removal activities and schedule for these activities included completion dates were reviewed by the auditors. At the time of the preparation of this report (on April 3, 2015), Pinos Altos had started to fill the pond with some fresh water to conduct the hydrostatic tests of the pond liner (per Blanca Cazares, Environmental Department, and work schedule). The auditors reviewed water levels and volume data in the Excess Pond from October 2014 to April 7, 2015 to confirm that the pond has been emptied in January and has been kept emptied until April 2, 2015 and that on April 3, 2015, Pinos Altos has started to fill the pond with fresh water for the hydrostatic tests. Auditors also reviewed WAD cyanide analytical data for the Excess Pond from April 3-7, 2015 (as presented above) to confirm that the water already discharged into the pond for the hydrostatic tests is fresh water with WAD cyanide concentrations below 50 mg/L.

The auditors consider that the period of record from October 21, 2014 to April 7, 2015 for the Excess Pond and from October 21, 2014 to March 1, 2015 for the Filters Pond is sufficient to demonstrate that

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WAD cyanide concentrations have been maintained and will be maintained below 50 mg/L in the Excess and Filters Ponds and that Pinos Altos has retaken control of the situation. The auditors, therefore, consider that Pinos Altos has appropriately implemented the corrective actions for the Excess and Filters Ponds to demonstrate compliance with the Code.

In addition to the netting installed in the Excess and Intermediate Ponds, Pinos Altos restricts wildlife and livestock access in additional ways as follows:

- The perimeter of the mine property is surrounded by a chain link fence topped with barbed wire to prevent access by large wildlife and livestock.
- The perimeter of the HLF process ponds is surrounded by a chain link fence with the base buried in the ground to prevent access by large wildlife and livestock.
- Process solutions are conveyed within pipelines, rather than in open channels, between the pad, plant and ponds.
- The process ponds have propane cannons as interim hazing measures.

Pinos Altos reported two wildlife mortalities (i.e., a duck and a heron) due to cyanosis in June 2014. The auditors consider that two mortalities in 9 months (from June 2014 to March 2015) are isolated cases rather than a continuous or significant level of mortality.

Pinos Altos has developed and implemented written procedures that reduce the potential for significant ponding on the top of the leach pad. The procedures also include what size of ponding is considered as excessive. The HLF personnel inspect for ponding daily. The auditors observed several areas of the active cells during the site visit and did not observe any significant areas of ponding. Therefore the auditors conclude that Pinos Altos is effectively implementing these procedures.

**Standard of Practice 4.5: Implement measures to protect fish and wildlife from direct or indirect discharges of cyanide process solutions to surface water.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 4.5**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 4.5, requiring the operation implement measures to protect fish and wildlife from direct or indirect discharges of cyanide process solutions to surface water.

Pinos Altos does not have a direct discharge to surface water. There are 4 watercourses downstream from the mine site facilities, with the potential to receive indirect discharges, as described below:

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- Arroyo Carboneras: flows downstream of the TMF. Monitoring station PM-06 is located downstream of the TMF.
- Arroyo El Durazno: flows downstream of the TMF. Arroyo El Durazno receives water from Arroyo Carboneras. Monitoring station PM-02 is located downstream of the TMF and downstream of the confluence with Arroyo Carboneras.
- Arroyo La Maquina: flows downstream of underground activities and the Process Plant. Monitoring station PM-03 is located downstream of any underground activities and the Process Plant.
- Arroyo La Bateria: Receives water from Arroyo El Durazno and Arroyo La Maquina and flows west of the mine. Monitoring station PM-01 is located downstream of the mine facilities, downstream of the confluence with Arroyo El Durazno and Arroyo La Maquina.

Pinos Altos monitors these 4 watercourses monthly at the locations described above, where any potential indirect discharges from the cyanide facilities could be detected. These locations are regulatory points of compliance. Surface water monitoring data from the 7-month period preceding the audit at Stations PM-01, PM-02, PM-03 and PM-06 showed non-detect levels (<0.02 mg/L) of WAD cyanide from January to July 2014. Analytical data also showed non-detect levels (<1 mg/L) of free cyanide from January to July 2014. Because the laboratory detection limit for free cyanide is greater than 0.022 mg/L, the WAD cyanide concentration is considered a surrogate for free cyanide to verify compliance. Pinos Altos, therefore, has not detected any indirect discharge of cyanide solutions to surface waters.

**Standard of Practice 4.6: Implement measures designed to manage seepage from cyanide facilities to protect the beneficial uses of groundwater.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 4.6**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 4.6, requiring the operation implement measures designed to manage seepage from cyanide facilities to protect the beneficial uses of groundwater.

Pinos Altos has implemented the following measures to reduce the potential for seepage to groundwater: geomembrane lining for the leach pad (low permeability underliner fill overlain by geomembrane liner); double liner with leak detection for the Pregnant, Intermediate and Excess Ponds; single liner for the Filters Pond; and concrete floors in Process Plant (including cyanide warehouses and cyanide mixing areas). The TMF has been constructed with a series of foundation drains and decant towers to evacuate excess water that accumulates at the base of the tailings mass and with drainage trenches and storm

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water collection channels to minimize the infiltration of surface water. Pinos Altos has installed monitoring wells downgradient of the HLF, the TMF and the Process Plant.

There is no designated beneficial or actual use of the groundwater beneath and/or downgradient of the mine facilities. Pinos Altos monitors for cyanide downgradient of the mine facilities in 4 monitoring wells (Wells A, B, C and PM-13) and in a pond (PM-04) that collects underground water (water from infiltration from the pits and collected in the underground, and any seepage from the Process Plant). These monitoring points are located downgradient of the mine facilities. Wells A, B, C and PM-04 are regulatory points of compliance. PM-13 is not a regulatory point of compliance, but analytical data from this well is also reported to the regulators. Analytical results from monthly sampling events conducted between January and July 2014 showed non-detect levels of WAD and free cyanide.

Pinos Altos uses detoxified mill tailings mixed with concrete (tailings paste) as underground backfill. Monthly analytical results from September to November 2014 show that WAD cyanide levels in the tailings paste are below 0.5 mg/L. Auditors also reviewed 2013 analytical results from the tailings paste to confirm that WAD cyanide levels have been maintained below 0.5 mg/L in the tailings paste in the past. Based on these analytical results, the underground backfill system is not a cyanide facility subject to the Code. Nonetheless, Pinos Altos monitors the underground water (at location PM-04) on a monthly basis to check any potential presence of cyanide in the underground water. Analytical results from PM-04 from January to July and October 2014 showed non-detect levels (<0.02 mg/L) of WAD cyanide.

**Standard of Practice 4.7: Provide spill prevention or containment measures for process tanks and pipelines.**

in full compliance with

**The operation is**

in substantial compliance with

**Standard of Practice 4.7**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in substantial compliance with Standard of Practice 4.7 requiring that the operation provide spill prevention or containment measures for process tanks and pipelines.

Pinos Altos has spill prevention and containment measures for the cyanide mixing and storage tanks, and the process solution tanks. The process solution tanks are located in the following areas: Leaching, Acacia, Merrill Crowe, CCD, Detox, Filtration and HLF. The tanks are installed on reinforced concrete bases and within secondary containments. Secondary containments at the Process Plant are constructed of reinforced concrete with automated pumps within the containments to pump collected solutions into the process circuit. The secondary containment of the mixing tank and the barren tank at the HLF is also

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constructed of reinforced concrete. The floor of this secondary containment is sloped to drain to the Pregnant Pond, located adjacent to these tanks. Pinos Altos does not have any cyanide-related tanks without secondary containment.

The capacity of the secondary containments was found compliant with Code requirements with the exceptions of the capacity of the secondary containments for the Leach and CCD area and the Detox/Filtration area. The calculations showed that the volume of the secondary containment for the Leach & CCD area was 2,389 m<sup>3</sup>, which is approximately 93.9% of the volume of the largest tank within this containment. The volume of the secondary containment for the Detox/Filtration area was 2,642 m<sup>3</sup>, which is approximately 102.8% of the volume of the largest tank within this containment.

The auditors also observed the presence of cyanide solution in the secondary containment for the barren tank in the Merrill Crowe area. Cyanide solutions from the vacuum pump system were being discharged several times a day into the secondary containments as part of operational practices. The auditors did not consider this to be a good operational practice because of the potential for worker exposure and recommended that these discharges be directed into the secondary containment sump.

Pinos Altos has provided either prevention measures or secondary containment measures for all cyanide process solution pipelines between the Process Plant, the TMF and the HLF, except for the following 4 pipeline segments with either inappropriate secondary containments or no secondary containment:

- The tailings pipeline from CCD thickener area to the Detox circuit. This pipeline does not have secondary containment or spill prevention measures and has a short segment buried.
- A short segment of the overhead pipeline from the milling area to the Acacia area. This is an overhead pipeline segment designed with a small steel tray in the bottom of the pipe that provides inadequate secondary containment. No concrete or other impermeable material is located underneath this segment of pipeline.
- A short segment of the overhead pipeline from the barren tank area to Merrill Crowe. This is an overhead pipeline segment located at the edge of the concrete secondary containment wall with inadequate secondary containment.
- The surface pipeline that transports the solution collected in the Excess Pond to the Filters Pond does not have secondary containment or spill prevention measures. A short segment of this pipeline crosses a dry drainage, located immediately downstream of the Excess Pond. Runoff collected in this dry drainage would flow first into a small sedimentation pond (called "Pileta de Tierra") and from there, it would flow several kilometers downstream into one of the watercourses located downstream of the mine facilities, and therefore, this could present a risk to surface water in case of a spill. The average WAD cyanide concentration in the Excess Pond (that is the same concentration of the solution transported by this pipeline) was 48.9 mg/L (from May to July and October, 2014).

Due to the 2 tank secondary containments that do not meet Code requirements; the regular use of the secondary containment for the barren tank for operational solutions; and the 4 pipeline segments with

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either inappropriate secondary containments or no secondary containment, the auditors consider that Pinos Altos is substantially compliant under this question and a corrective action plan has been prepared to bring the operation into full compliance. The auditors' conclusion is based on the consideration of good-faith effort, the corrective nature of the deficiency, and the risk to workers and/or the environment, as discussed below:

- Pinos Altos was in the process of 1) evaluating different options for the secondary containments for the 4 pipeline segments, 2) working on directing the cyanide solution discharges from the vacuum pump system into the secondary containment sump; and 3) developing a plan to increase the capacity of the tank secondary containments for the Leach and CCD area and the Detox/Filtration area (as recommended by KCA). This provides evidence of good faith.
- The nature of the corrective action, consisting of providing secondary containment measures for the 4 pipeline segments; directing the cyanide solution discharges from the vacuum pump system into the secondary containment sump; and increasing the capacity of the tank secondary containments for the Leach and CCD area and the Detox/Filtration area, will be completed within one year of the Code certification date.
- The lack of secondary containment or the existence of insufficient secondary containment does not pose any immediate or substantial risk to workers or the environment. Inspections of pipelines and tank secondary containments are conducted on a regular basis to identify any potential spills from these elements. Pinos Altos has developed procedures for cyanide solution spills that prescribe the measures for safe and timely clean-up of spills of cyanide solutions. In the case of the deficiency associated with the release of cyanide solution into the secondary containment for the barren tank, these releases are collected in the sump located in the Merrill Crowe secondary containment. Access to this area is restricted to authorized workers only. Workers are aware of this issue related to the pumps, wear a portable HCN to conduct any activities in these areas, are familiar with the HCN concentrations being managed and has been trained in procedures in case of cyanide exposures (verification was done by interview with employees working in this area during the site visits).

The auditors did not observe any tank or pipeline materials incompatible with cyanide or high pH.

**Standard of Practice 4.8: Implement quality control/quality assurance procedures to confirm that cyanide facilities are constructed according to accepted engineering standards and specifications.**

in full compliance with

**The operation is**  **in substantial compliance with** **Standard of Practice 4.8**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in substantial compliance with Standard of Practice 4.8 requiring that operations implement QA/QC procedures to confirm that cyanide facilities are constructed according to accepted engineering standards and specifications.

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Pinos Altos has demonstrated that QA/QC programs were conducted during construction for most of the cyanide facilities. These facilities included the HLF and the Process Plant. Evidences were provided in the form of QA/QC reports and/or statement letters from KCA, the EPCM company for Pinos Altos. Documentation provided for these two facilities contain evidence of addressing material suitability, compaction testing, liner installation, concrete installation for the leach pad cells and HFL ponds as well as for the cyanide solution tanks and other process facilities in the Process Plant. QA/QC documentation have been approved and signed by appropriately qualified personnel (professional engineers in the U.S. or with a Mexican Cedula Number).

Pinos Altos must to provide evidence of the QA/QC programs conducted for the TMF, Paste Backfill Plant, Filters Pond, pipelines from the Excess Pond and the Sedimentation Pond to the Filters Pond, and the expansion of the concrete pad in the cyanide mixing area at the Process Plant. In addition, Pinos Altos must provide evidence of the QA/QC program to be conducted for the new cyanide warehouse at the Process Plant, and the installation of a secondary containment system for the tailings pipeline from CCD thickener to the Detox circuit and for the pipeline from the Excess Pond to the Filters Pond, once these projects are completed.

The auditors consider Pinos Altos to be substantially compliant under this question and a corrective action plan has been prepared to bring the operation into full compliance. The auditors' conclusion is based on the consideration of good-faith effort, the corrective nature of the deficiency, and the risk to workers and/or the environment, as discussed below:

- Pinos Altos was in the process of contacting the companies and or the engineers that conducted/oversaw the QA/QC programs done for the TMF, Paste Backfill Plant, Filters Pond, pipelines from the Excess Pond and the Sedimentation Pond to the Filters Pond, and the expansion of the concrete pad in the cyanide mixing area at the Process Plant in order to obtain the corresponding documentation, thus exhibiting good faith.
- The nature of the corrective action is not overly complex, consisting of obtaining the QA/QC evidence. This action can be completed in less than a year.
- The lack of the QA/QC evidences does not pose a substantial risk to workers or the environment, considering that the facilities without evidences of QA/QC programs have not any performance issues and are inspected in a regular basis.

**Standard of Practice 4.9: Implement monitoring programs to evaluate the effects of cyanide use on wildlife, surface and groundwater quality.**

**The operation is**  **in full compliance with** **Standard of Practice 4.9**  
 in substantial compliance with  
 not in compliance with

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**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 4.9 requiring that operations implement monitoring programs to evaluate the effects of cyanide use on wildlife, surface, and groundwater quality.

Pinos Altos has implemented written procedures for surface water, groundwater and wildlife monitoring. Monitoring is conducted at frequencies adequate to characterize the medium being monitored and to identify changes in a timely manner. Pinos Altos monitors for cyanide in surface water and groundwater downgradient of the cyanide facilities on a monthly basis. Sampling and analytical protocols been developed by appropriately qualified personnel that include Pinos Altos environmental personnel with several years of experience in the environmental field and the commercial laboratory retained by Pinos Altos, Analitica del Noroeste, a laboratory accredited by the Mexican Entity for Accreditation (EMA) and the National Water Commission (CONAGUA). The procedures for surface water and groundwater sampling include the sampling equipment, sampling locations, sampling procedures, cyanide species to be analyzed, sampling containers, preservation methods, chain of custody procedures, transportation instructions, and sampling quality control procedures. The laboratory conducts the sampling on behalf of Pinos Altos; consequently, the laboratory staff transport the samples rather than ship them to the laboratory. The field forms and chains of custody from Analitica del Noroeste document preservatives, sampling equipment, field parameters, sampling and weather conditions, the list of constituents, and observations of other conditions that may affect the sample integrity. The auditors verified compliance by reviewing monitoring procedures, laboratory certifications, field forms, chains of custody, and analytical data.

Pinos Altos inspects for wildlife presence and mortalities during daily inspections conducted in all the process areas, including the Process Plant, Paste Plant, TMF and the HLF by environmental personnel. Inspections are conducted in accordance with a written procedure and documented on a form. The form includes information on the date, location, species observed and action taken if presence or mortality is observed. In addition to these daily inspections conducted by the Environmental Department, process and HLF operators also inspect for wildlife as part of their daily inspections. Should mortality be identified, Pinos Altos investigates it and prepares an environmental incident report. The auditors reviewed completed inspection forms and environmental incident reports on two wildlife mortalities that occurred in 2014 in order to verify compliance.



PRINCIPLE 5 – DECOMMISSIONING

Protect Communities and the Environment from Cyanide through Development and Implementation of Decommissioning Plans for Cyanide Facilities.

Standard of Practice 5.1: Plan and implement procedures for effective decommissioning of cyanide facilities to protect human health, wildlife and livestock.

[X] in full compliance with

The operation is

[ ] in substantial compliance with

Standard of Practice 5.1

[ ] not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 5.1 requiring that the site plan and implement procedures for effective decommissioning of cyanide facilities to protect human health, wildlife and livestock.

Pinos Altos has developed a conceptual closure plan that includes all cyanide facilities (i.e. the HLF, Process Plant, TMF, Paste Plant and others) and the appropriate cyanide-related decommissioning activities. Section 5 of the plan discusses the general schedule for closure, including decommissioning activities. The auditors viewed the previous versions of the plan (August 2008 and April 2014) and the current version of the plan (September 2014) to confirm that the plan had been updated on a regular basis to incorporate any changes related to decommissioning procedures or facilities.

Standard of Practice 5.2: Establish an assurance mechanism capable of fully funding cyanide related decommissioning activities.

[X] in full compliance with

The operation is

[ ] in substantial compliance with

Standard of Practice 5.2

[ ] not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with the Standard of Practice 5.2 requiring that the site establish an assurance mechanism capable of fully funding cyanide related decommissioning activities.

Pinos Altos has developed an estimate of the cost (dated June 2014) for the implementation of closure activities. This is an estimate that fully funds completion of the work by a contractor. The cost estimate provides detail on the main closure tasks for the major facilities (HLF, TMF and Process Plant and others). The current closure cost estimate corresponds to the September 2014 closure plan. Details on

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the unit prices used in the cost estimate are included in each calculation cell. Unit prices were derived from contractor quotes received by Pinos Altos.

Pinos Altos updates the cost estimate for the implementation of closure activities every 6 months in accordance with by Agnico Eagle corporate requirements. The auditors viewed the previous version of the cost estimate to verify compliance.

Pinos Altos provided documentation from an external financial auditor to verify a self-guarantee mechanism that covers the estimated costs for cyanide-related decommissioning activities. Ernst & Young, in a letter dated November 24, 2014, provided confirmation that Agnico Eagle Mexico meets the criteria for self-guarantee without exception as defined in 'Title 40, US Code of Federal Regulations (CFR) Parts 264.143(f) – "Financial Test and Corporate Guarantee for Closure". The letter includes the financial auditor's certification number. The self-guarantee amount for closure of both Pinos Altos and Mascota is greater than the estimated cost for decommissioning the cyanide facilities at Pinos Altos alone.

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PRINCIPLE 6 – WORKER SAFETY

Protect Workers’ Health and Safety from Exposure to Cyanide

Standard of Practice 6.1: Identify potential cyanide exposure scenarios and take measures as necessary to eliminated, reduce, and control them.

in full compliance with

The operation is

in substantial compliance with

Standard of Practice 6.1

not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 6.1 requiring that the site identify potential cyanide exposure scenarios and take measures as necessary to eliminate, reduce, and control them.

Pinos Altos has developed procedures for cyanide-related activities at its cyanide warehouses, the Process Plant (mill, thickeners, leaching, Merrill Crowe, filters and detox), for the HLF, the TMF and the Paste Backfill Plant. The procedures cover cyanide storage, transfer and mixing, plant operations, confined spaces, decontamination, and many other cyanide-related activities.

Each procedure covers the work objective, scope, responsible persons, definitions, safety measures, PPE, tools and materials, precautions, procedural steps, cyanide intoxication and first aids. In addition, areas where cyanide is used also have signs listing the PPE requirements.

Pinos Altos performs pre-task inspections for cyanide unloading and mixing. The auditors reviewed examples of completed pre-task check lists for a 3-month period to verify compliance.

Pinos Altos has prepared and implemented a written procedure for managing changes in facilities or practices. The procedure covers environmental and safety aspects, and includes a form that must be filled out and signed by the initiator of the requested change and the process, environmental, projects and safety managers. The auditors reviewed an example of a completed evaluation to verify compliance. The evaluation included the identification of potential impacts and permit requirements. The evaluation also includes the measures to be implemented to meet with Code requirements and Mexican regulations, as well as measures to reduce any potential safety and environmental risks.

Pinos Altos provides many opportunities for workers to provide input to improve procedures via meetings and the implementation of the Supervisory Formula Work Card system.

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**Standard of Practice 6.2: Operate and monitor cyanide facilities to protect worker health and safety and periodically evaluate the effectiveness of health and safety measures.**

in full compliance with

**The operation is**

in substantial compliance with

**Standard of Practice 6.2**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 6.2 requiring that the site operate and monitor cyanide facilities to protect worker health and safety and periodically evaluate the effectiveness of health and safety measures.

Pinos Altos has specified the appropriate pH for limiting the evolution of HCN gas during mixing and production activities in the SOPs. The SOPs specify that cyanide solutions must have a pH above 10.5 to avoid evolution of HCN gas. Pinos Altos continuously monitors the pH with in-line pH meters and portable pH meters. The in-line pH meters report to the control room, but can also be read manually at their locations. Pinos Altos has 6 in-line pH meters located at Leach Tank #1, CCD # 0, 1, and 5, and Detox Tanks # 1 and 2. The pH is measured with a portable pH meter in the cyanide mixing areas prior to cyanide mixing.

Pinos Altos use fixed and portable HCN monitors where the potential for significant cyanide exposure exists. Four fixed monitors are installed in the following locations: cyanide mixing at the Process Plant, detox tank, Acacia area and cyanide mixing tank at the HLF. In addition, Pinos Altos has 11 portable HCN meters that workers carry when working at the cyanide facilities. The procedures require the use of a portable HCN monitor when undertaking maintenance activities or when working in confined spaces.

Pinos Altos has identified the areas and activities where workers may be exposed to HCN concentrations greater than the thresholds of 4.7 ppm (prevention) and 10 ppm (evacuation). The risk analysis document (ER-SS-PP-01-000-06) identifies the potential risk areas; and processes and activities of worker exposure for operation, maintenance and other services in the Process Plant. This was identified based on a HCN monitoring conducted in 2013. This analysis includes the main cyanidation activities for the plant processes; identifies the characteristics of the work processes, flow circuits and mineral processing; and identifies areas where workers may be exposed to cyanide hazards. The areas identified where workers may be exposed to cyanide are: grinding, leaching, Merrill Crowe, refinery, cyanide destruction, laboratory and heap leach pad. Procedures require the use of portable HCN meters in these areas. The auditors observed that operators were using portable HCN meters as required. This risk analysis will be

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reviewed in 2015 as indicated in the risk analysis document (or prior to that date in case of any changes in the process activities). No changes in the process activities have occurred since 2013.

Pinos Altos maintains, tests, and calibrates the HCN monitors. The fixed HCN monitors are calibrated monthly and portable monitors every six months. The portable monitors are also “bump-tested” as needed. The auditors reviewed examples of the work orders including instructions from the manufacturer on maintenance and calibration procedures. The auditors interviewed Pinos Altos personnel responsible for the calibrations (an electrical engineer with 8 years of experience) to verify compliance. The auditors also reviewed calibration records from January to August 2014 to confirm that the fixed and portable HCN meters are calibrated and maintained as required.

Pinos Altos has installed warnings signs advising workers that cyanide is present and that smoking, open flames and eating and drinking are not allowed. Signs are located in all the places where cyanide is present.

The auditors observed that eyewash stations and showers as well as dry powder fire extinguishers were present at strategic locations throughout the process facilities. The auditors tested the eyewash stations and showers and verified their functionality and water pressure. The extinguishers are inspected monthly by a certified NFPA contractor and tested annually or as required by inspection results by an external provider. The auditors reviewed examples of inspection records for the fire extinguishers and eyewash stations and showers.

Pinos Altos has placed signs in tanks and piping containing cyanide solution in the process facilities, indicating the direction of the flow in the pipelines with the purpose of reducing the potential for releases and exposures during maintenance.

Pinos Altos employees have access to MSDS and information on cyanide first aid in Spanish, the language of the work force. The auditors observed that each cyanide antidote kit includes first aid instructions and that MSDS sheets for cyanide were available at the Process Plant and the HLF ponds.

Pinos Altos has a written procedure to prevent the recurrence of incidents, accidents and illnesses. The procedure requires effective investigations and implementation of preventive and corrective measures. The procedure applies to all areas, mine staff, and contractors. It is applicable to all types of incidents, including cyanide-related incidents. The auditors reviewed the investigation report for the only cyanide-related incident that has occurred even though it was well before the site visit for initial certification. (i.e., August 2011). The investigation report indicated that corrective actions were completed.

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**Standard of Practice 6.3: Develop and implement emergency response plans and procedures to respond to worker exposure to cyanide.**

in full compliance with

**The operation is**

in substantial compliance with

**Standard of Practice 6.3**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 6.3 which requires that the site develop and implement emergency response plans and procedures to respond to worker exposure to cyanide.

Pinos Altos has complete antidote kits including medical oxygen readily available for use at multiple locations of the Process Plant and in the HLF pond area, as well as at the onsite clinic.

Pinos Altos has radio communications and cellular telephone systems as well as dedicated land line extensions for the paramedics and security. Pinos Altos has two defibrillators (resuscitators) one in the clinic and the other in the ambulance. Also, Pinos Altos has installed a siren as alarm system with a cyanide-specific tune to warn about cyanide emergencies.

Pinos Altos inspects the cyanide kits, the emergency equipment, and the ambulances regularly to ensure that equipment and supplies are present and functioning. The auditors reviewed inspection records of first aid equipment including cyanide kits, from January to August 2014. The auditors observed that none of the amyl nitrate ampules in the cyanide kits were expired and that they were stored at the correct temperature. The auditor also observed the existence of oxygen tanks with the kits, in the clinic, and the ambulances and that they were full and operable.

Pinos Altos has developed a Contingency Response Plan (Contingency Plan), a general plan to all types of emergencies, but that also contains guidance on cyanide-related emergencies. The Emergency Response Plan (ERP) (included in Appendix I of the plan) includes procedures specifically for cyanide-related emergencies. The SOP "Sodium Cyanide Antidote" (PR-GP-OP-01-043-01) addresses first aid for cyanide exposure and medical treatment. The ERP and SOP describe the procedures for responding to spills, inhalation of cyanide gas or skin contact with liquid or gaseous cyanide.

Pinos Altos has on-site capability to respond to cyanide exposures. In terms of equipment, Pinos Altos has an ambulance and a fire truck for the brigade. The brigade has equipment staged at the clinic. The Plant first responders have a separate shed near the plant guard gate for their equipment. In terms of staffing, Pinos Altos has two doctors and five paramedics. There is always one doctor available 24 hours a day and two paramedics are scheduled for each shift. Pinos Altos has a rescue brigade comprised of

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strategically selected workers of each area of the mine; in addition all staff at the cyanide facilities has been trained to provide first aid for cyanide exposure, including administration of oxygen and amyl nitrate.

Pinos Altos has developed a procedure to transport workers exposed to cyanide to qualified off-site hospitals (i.e., the CIMA hospital in Chihuahua). This procedure is applicable to either land transport by ambulance or air transport by airplane or helicopter. The procedure uses the “Triage” classification for the patients to identify the transport needs. Patients classified as with Priority II and I require transportation to offsite hospitals. Section V “Patient Transport and Distribution to Medical Institutions” details the transportation and the type of hospital required depending on the priority classification.

Pinos Altos has a letter of agreement with CIMA Hospital in Chihuahua, as evidenced by the letter from August 5, 2014. Pinos Altos is confident that CIMA Hospital has adequate and qualified staff, equipment, and expertise to treat a patient intoxicated with cyanide.

Pinos Altos conducted a cyanide related-mock drill on August 25, 2014. The emergency simulated a cyanide worker exposure and spill in the Merrill Crowe area. The objective of the drill was to verify the application of the cyanide antidote, administration of first aid and spill response, and the responsiveness of emergency services. The auditors reviewed evidence to verify that the corrective actions were addressed. The review included verification of first aid training records, verification that a medical oxygen bottle was placed with the cyanide kit, and verification that a copy of the cyanide first aid emergency procedures was placed in different areas of the Process Plant.

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PRINCIPLE 7 – EMERGENCY RESPONSE

Protect Communities and the Environment through the Development of Emergency Response Strategies and Capabilities

Standard of Practice 7.1: Prepare detailed emergency response plans for potential cyanide releases.

[X] in full compliance with

The operation is

[ ] in substantial compliance with

Standard of Practice 7.1

[ ] not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 7.1 which requires that the site prepare detailed emergency response plans for potential cyanide releases.

Pinos Altos has developed plans and SOPs that address emergency response to potential accidental releases of cyanide. Pinos Altos plans contain procedures for potential scenarios such as: 1) cyanide intoxication; 2) accidents during cyanide transportation; 3) releases during unloading and mixing; 4) release of cyanide during fires and explosions; 5) pipe, valve or tank ruptures; 6) overtopping of ponds; 7) electrical power outages; 8) leaks out of control; 9) failure of the heap leach facility; 10) failure of the cyanide treatment system; 11) cyanide spill control and clean-up; and 12) decontamination and emergency evacuation.

Standard of Practice 7.2: Involve site personnel and stakeholders in the planning process.

[X] in full compliance with

The operation is

[ ] in substantial compliance with

Standard of Practice 7.2

[ ] not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 7.2 which requires that the site involve site personnel and stakeholders in the planning process.

Pinos Altos has involved its workers by including them in the review of procedures by discussions during safety meetings and training sessions. Pinos Altos has involved its stakeholders by providing opportunities for feedback on response to cyanide emergencies.

Pinos Altos provided instructions on cyanide management and emergency response to outside responders from local communities from Ocampo, Huajumar, Baquiriachi, Baseachi, Cuahtemoc, La Junta and CIMA Hospital at Chihuahua, from July through August 2014. In these meetings and training



sessions, Pinos Altos made these potentially affected communities aware of cyanide risks and the role of the Code in managing those risks. Agenda topics included use of cyanide in gold extraction; potential risks of cyanide; properties of cyanide; consequences of intoxication; measures to prevent harm to flora and fauna; and security measures.

Pinos Altos has involved local response agencies and considers their participation if the emergency exceeds the operational and logistics emergency capabilities of the company. Pinos Altos has involved the outside responders of the local communities listed above with training on General Information on Cyanide Management, Sodium Cyanide Management, Use of the Cyanide Antidote, and Medical Treatment for Cyanide Poisoning. The response agencies trained were: the Red Cross, the army command, police patrol, firefighters and medical staff. Outside responders and medical facilities will be asked for help for civil protection in cases the emergency exceeds the operational and logistics emergency capabilities of the mine; they do not have a designated onsite role.

Pinos Altos has engaged in consultation with stakeholders via meetings and trainings held with local communities and outsider responders from Baquiriachi, Basaseachi, Cuahtemoc, La Junta and Chihuahua.

**Standard of Practice 7.3: Designate appropriate personnel and commit necessary equipment and resources for emergency response.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 7.3**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 7.3 which requires that the site designate appropriate personnel and commit necessary equipment and resources for emergency response.

The Contingency Plan and the Emergency Response Plan - Action Plan (ERP – Action Plan) contain sections that designate an emergency committee and emergency coordinators; that identify the brigade members and their callout information; that specify duties and responsibilities for the brigade members; that list all emergency response equipment; that describe the inspection program for emergency equipment; and describe the role of outside entities. Outside responders and medical facilities will be asked for help for civil protection in cases the emergency exceeds the operational and logistics emergency capabilities of the mine; they do not have a designated onsite role. The required training for brigade members is described in the Contingency Plan in the annual training program for 2014. The outside entities have not participated in mock drills or implementation exercises because they do not have



an onsite role. However, Pinos Altos provided instructions on cyanide management and emergency response to outside responders from local communities as Red Cross, the army command, police patrol, firefighters and medical staff from July through August 2014.

**Standard of Practice 7.4: Develop procedures for internal and external emergency notification and reporting.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 7.4**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 7.4 which requires that the site develop procedures for internal and external emergency notification and reporting.

Pinos Altos has included procedures and contact information for all notifications in the ERP – Action Plan and the Contingency Response Plan. The flowchart “Who to Report Immediately” and the “Emergency Directory” of the ERP – Action Plan describe the notification procedures and the contact information. This is also included in this directory including the telephone numbers for potentially-affected communities. Section 10.2 “Emergency Preparedness and Crisis Management” of the Contingency Plan describes the procedure for communications with the media.

**Standard of Practice 7.5: Incorporate in response plans and remediation measures monitoring elements that account for the additional hazards of using cyanide treatment chemicals.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 7.5**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 7.5 which requires that the site incorporate in response plans and remediation measures monitoring elements that account for the additional hazards of using cyanide treatment chemicals.

The procedure “Cyanide Spill Inspection and Control” addresses remediation measures for cyanide releases. Spill-affected materials are to be placed in designated containers and kept dry. Berms or dikes are to be constructed to prevent wider spread of spilled solutions. The procedure describes the neutralization of cyanide-affected soils and the remediation endpoint. The procedure specifies that



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cyanide solutions be returned to the process circuit; and that cyanide-impacted soils be placed on the heap leach pad.

As stated by the General Safety Supervisor of Pinos Altos, the Community Risk Analysis concluded that there is no risk of contamination of drinking water sources for communities due to leak or spills from cyanide facilities within or outside property boundary of the mine operation due to the mine location. Water sources are upgradient or located in a different watershed from the mine. Therefore, provision of an alternative water supply is inapplicable to these communities. Pinos Altos personnel drink bottled water.

The Contingency Plan, on page 21, includes a prohibition for the use of chemicals such as sodium hypochlorite, ferrous sulphate and hydrogen peroxide to treat cyanide that has been released into surface water. Also, this plan addresses the possible sampling locations for environmental monitoring to identify the extent and effects of a potential cyanide release. Sampling procedures and methodologies are described in the procedure for "Surface Water and Groundwater Sampling".

**Standard of Practice 7.6: Periodically evaluate response procedures and capabilities and revise them as needed.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 7.6**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 7.6, which requires that the site periodically evaluate response procedures and capabilities and revise them as needed.

The Contingency Plan states that the Safety Manager must review and update the plan at least bi-annually and when a change occurs at the mine, and reports the changes to all staff. Section 9 of the plan states that high risks to health, safety, environmental and community must be reviewed and updated at least annually. The Contingency Plan was originally prepared on May 14, 2012 and was revised on May 14, 2014, as indicated in the plan. The auditors also reviewed the ERP – Action Plan and found that the names and contact numbers for the emergency coordinators and brigade members, the equipment list and their locations, including cyanide kits, showers, eyewash and fire extinguishers, were updated. The risk evaluation for the Process Plant is current and control measures for cyanide-related risks have been considered.

Pinos Altos conducted a cyanide related mock drill on August 25, 2014. The mock drill simulated a cyanide worker exposure and spill in the Merrill Crowe area. The auditors reviewed evidence to verify that

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the corrective actions were addressed. The review included verification of first aid training records, verification that a medical oxygen bottle was placed with the cyanide kit, and verification that a copy of the cyanide first aid emergency procedures was placed in different areas of the Process Plant.

Section 1 of the Contingency Plan states that this plan is subject to modifications and/or additions resulting from revisions and its application in different areas of work at the mining unit (including a cyanide-related emergency). As of the time of the audit, no cyanide-related emergencies had occurred at the site and an evaluation/revision of the Contingency Plan was not required. However, the Contingency Plan has been reviewed and revised on a regular basis as described above.

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PRINCIPLE 8 – TRAINING

Train Workers and Emergency Response Personnel to Manage Cyanide in a Safe and Environmentally Protective Manner

Standard of Practice 8.1: Train workers to understand the hazards associated with cyanide use.

in full compliance with

The operation is

in substantial compliance with

Standard of Practice 8.1

not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 8.1 which requires that the site train workers to understand the hazards associated with cyanide use.

Pinos Altos trains all workers and contractors in cyanide hazard recognition. The new employee course on industrial safety (an 11 hour-training session) is provided every Friday, where general topics including health and safety issues are addressed. These topics include cyanide recognition and hazards. The course consists of 5 modules that cover safety topics addressing cyanide-related issues. For example, the fourth module of this course includes DuPont’s presentation on Sodium Cyanide, and a presentation on First Aid for Sodium Cyanide Poisoning, HAZMAT and the MSDS for cyanide. In addition, all visitors to the mine site are required to attend a short safety induction that includes the presentation "Important Facts About Cyanide". The Code requirement for initial cyanide training is fulfilled by the safety induction for visitors and the industrial safety induction course for Pinos Altos staff and contractors.

The 2014 Pinos Altos training program requires that all staff and contractors working where cyanide is present receive annually refresher training on cyanide exposure first aids (8 hours) and risks on cyanide handling (1 hour). The auditors reviewed the training attendance records and tracking spreadsheets since January 2013 to August 2014. Pinos Altos provides annual refreshers in both modules. The auditors interviewed two Pinos Altos staff in the field to confirm the accuracy of the spreadsheet for tracking cyanide refresher training.

The auditors verified that training records are kept for the total length of employment.



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**Standard of Practice 8.2: Train appropriate personnel to operate the facility according to systems and procedures that protect human health, the community and the environment.**

in full compliance with

**The operation is**

in substantial compliance with

**Standard of Practice 8.2**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 8.2 which requires that the site train appropriate personnel to operate the facility according to systems and procedures that protect human health, the community, and the environment.

Pinos Altos provides task training to process staff (Process Plant and HLF) so that they perform their duties with minimum risk for exposure and releases. The training program requires that all Process Plant and HLF staff receive training in the SOPs. The training program lists the SOPs applicable to each department.

The task training is provided by the area supervisor, using SOPs as training material, followed by assigning the worker to perform the tasks with an experienced operator while being observed by the supervisor. The training elements necessary for each job involving cyanide management are identified in the SOPs. The procedures include details on how to safely conduct each cyanide-related task.

At Pinos Altos, the area supervisors who have several years of experience in the operating procedures provide the training in the SOPs to the workers. By interview with two process plant assistants, they confirmed their knowledge on the work SOP and their competence as trainers.

Pinos Altos provides task training, and the staff must successfully complete the training, before they work independently. Before that time, new staff must be accompanied by more experienced staff. The training program states the area supervisors are responsible for ensuring that task training occurs.

The Pinos Altos training program requires that staff receive annual refresher training on cyanide management to perform their jobs in a safe manner. Pinos Altos does not distinguish between initial training and retraining, as all staff are trained each year in "First Aid due to Cyanide Poisoning" and in "Risks on Cyanide Handling , Transport and Storage". Pinos Altos also provides task specific refresher training during daily meetings where changes in the operational procedures are discussed. The auditors reviewed records of these meetings to verify compliance.

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Pinos Altos evaluates the effectiveness of cyanide training using written examinations and documented observations. Written examinations are required and the exam scores are recorded in a tracking spreadsheet. The training staff at Pinos Altos maintains training records for each employee throughout the duration of employment. The tracking spreadsheets include the employee's name, the training date, and the testing results.

**Standard of Practice 8.3: Train appropriate workers and personnel to respond to worker exposures and environmental releases of cyanide.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 8.3**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

The operation is in full compliance with Standard of Practice 8.3 which requires that the site train appropriate workers and personnel to respond to exposures and environmental releases of cyanide.

Pinos Altos trains staff at three levels: all process staff, first responders, and brigade members. Pinos Altos trains all process staff (i.e. Process Plant and HLF staff) in the procedures to be followed for cyanide releases. These procedures cover first aid for exposures, as well as control and cleanup measures for environmental releases. The training program contains first aid procedures for exposures, procedures for environmental releases, including soil and water decontamination. The program also includes the Emergency Response Plan for Sodium Cyanide.

The Process Plant and HLF first responders are trained in the classroom and the field. Classroom training consists of reviewing the procedures for attacking contingencies and the MSDS for cyanide.

Pinos Altos held trained emergency response coordinators and brigade member in their emergency response procedures. Pinos Altos has established a brigade (i.e., emergency response team) that is trained in emergency response procedures and equipment. The brigade is capable of responding to all types of mine emergencies (including in the underground mine), not just cyanide-related emergencies. Pinos Altos has developed a schedule to ensure brigade members are available for all shifts. The brigade regularly trains on first aid, fire fighting, hazmat incidents, collapsed structures, and mock drills. The auditor reviewed database queries and photographic documentation to confirm these trainings occurred.

Pinos Altos has held coordination and training meetings with outside responders such as Red Cross, command, police patrol, firefighters and medical staff from Chihuahua, Baquirochi, Cuahtemoc and La Junta to discuss these elements of the Emergency Response Plan related to cyanide.

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Pinos Altos has designated that all staff working at the cyanide facilities are responsible to respond to cyanide emergencies at least at a basic level. All staff is required to receive training for response to cyanide exposures and releases. Additional staff at the process plant and pad is designated as first responders to bridge the time between emergency notification and the arrival of the brigade. Finally, the brigade has the ultimate responsibility to respond to incidents. The auditors reviewed training spreadsheets to confirm staff received refresher training on cyanide emergency and release response and also reviewed a training spreadsheet to confirm that first responders received refresher training annually. Refresher training for response to cyanide exposures and releases is, therefore, regularly conducted.

Simulated cyanide emergency drills are conducted for training purposes, covering both worker exposures and environmental releases. Pinos Altos held a mock drill in August 2014 and provided evidence that the mock drill was evaluated with respect to training needs.

The training staff at Pinos Altos maintains training records for each employee throughout the duration of employment. The tracking spreadsheets include the employee's name, the training date, and the testing results. The hardcopy files contain certificates with the trainer's name.

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PRINCIPLE 9 – DIALOGUE

Engage in Public Consultation and Disclosure

Standard of Practice 9.1: Provide stakeholders the opportunity to communicate issues of concern.

[X] in full compliance with

The operation is

[ ] in substantial compliance with

Standard of Practice 9.1

[ ] not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 9.1 which requires that the site provide stakeholders the opportunity to communicate issues of concern.

Pinos Altos provides opportunities for stakeholders to communicate issues of concern through an open door policy, tours, and fairs. Pinos Altos has a written procedure with forms for documenting and addressing the issues. Stakeholders can come directly to the gates with concerns with no need for an appointment with the Community Relations staff. In April 2014, Pinos Altos was certified by the Mexican Center for Philanthropy (CEMEFI) as a socially responsible company for the seventh consecutive year.

By means of the website www.tnwinc.com/reportline/AgnicoEagle and the email address hnnexico@agnico-eagle.com stakeholders can communicate their suggestions, complaints, and allegations. There is a collect phone number 00-1-770-776-5607 from Canada for stakeholders who want to communicate with the Agnico Eagle office in Toronto for grievances, complaints or suggestions.

The auditors reviewed attendance records and pictures of informative talks on cyanide and emergency response to communities of Basaseachi, Cahuisori and La Bateria. The auditors also reviewed records of guided tours to the mine site, completed forms with suggestions and complaints, and a spreadsheet summarizing stakeholders' communications and responses.

Standard of Practice 9.2: Initiate dialogue describing cyanide management procedures and responsively address identified concerns.

[X] in full compliance with

The operation is

[ ] in substantial compliance with

Standard of Practice 9.2

[ ] not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

Pinos Altos creates opportunities to interact with stakeholders and provide them with information regarding cyanide management in the mine. These means include an open door policy, tours, and the



annual fair. In April 2014 Pinos Altos was certified by CEMEFI as a socially responsible company for the seventh consecutive year.

In addition, Pinos Altos engaged with community leaders in July 2014 via meetings, specifically to discuss cyanide-related topics. Pinos Altos held three meetings with community leaders in Basaseachi, Cahuisori and La Bateria, to create opportunities for stakeholder input on cyanide management and emergency response plans.

**Standard of Practice 9.3: Make appropriate operational and environmental information regarding cyanide available to stakeholders.**

in full compliance with

The operation is

in substantial compliance with

**Standard of Practice 9.3**

not in compliance with

**Summarize the basis for this Finding/Deficiencies Identified:**

Pinos Altos has a leaflet describing cyanide, community prevention measures, and the Code. The leaflet is handed out during tours and meetings. In addition, Pinos Altos has developed a PowerPoint presentation regarding cyanide and the Code that staff gives to visitors as part of their site induction.

Pinos Altos disseminates information on cyanide in verbal form by means of visits to surrounding communities to talk about cyanide and emergency response. In these visits, Pinos Altos staff use a poster of the mining process and show a PowerPoint presentation.

Pinos Altos makes information publically available regarding reportable accidents via public statements, regulatory reports, and the Agnico Eagle website. As of the time of the audit, Pinos Altos has had no reportable incidents due to cyanide releases and exposures. The ERP includes procedures for statements about spills, onsite chemical releases, and accidents (which would include cyanide exposures). The procedure for statements about onsite chemical releases includes discussion of solution retention, soil remediation measures, and disposition of affected materials.

The Agnico Eagle website contains a section on compliance in the annual corporate sustainability reports. Pinos Altos is required by Mexican law to report releases of hazardous materials, including cyanide releases, to the Federal Attorney for Environmental Protection (PROFEPA) and to the Work and Social Prevention Secretary (STPS). These entities would make the information available to the public.



## Report Signature Page

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Date: April 15, 2015

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